EUROPE'S BUSINESS NEWSPAPER

# FINANCIAL TIMES

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## World News

### Presidential choice risks new tension in Panama

Panama's Council of State has chosen a new President, risking a further escalation of tensions between Gen Manuel Antonio Noriega, the country's military leader, and the US.

The appointment of Francisco Rodriguez fills the vacuum created by the annulment of controversial elections last May. Page 18

**US anti-drug troops**
The US said it would send up to 100 military personnel to Colombia to train troops and police in the war against drug cartels. Page 3

**Libya, Chad end war**
Libya ended a 15-year conflict with Chad by accepting the World Court as final arbiter of disputed land in the Sahara Desert. Page 4

**US Afghan support**
A US envoy to Afghan rebels pledged continued support for their provisional government despite feuds between rival groups.

**Sri Lanka calls talks**
President Premadasa will invite all political parties for talks in a bid to end weeks of violence in Sri Lanka.

**Peking rebuttal**
Peking rejected an Amnesty International report alleging human rights abuses in China saying it was "entirely unfounded and unreasonable." Page 4

**S Korea reshuffle**
South Korean President Roh Tae Woo moved to stem a dispute within his ruling Democratic Justice Party by sacking its secretary general and reshuffling its other posts. Page 4

**EC aid for Lebanon**
EC Governments agreed to send Lebanon more than $9m worth of emergency humanitarian aid. Meanwhile six people were killed and 20 wounded in tank battles in Beirut.

**UN appeals to Iran**
UN human rights panel appealed for an end to executions in Iran, saying the country had already put to death over 1,000 people this year.

**Tripoli celebrates**
Tripoli celebrated the 20th anniversary of Libyan leader Muammar Gadaffi's "Green" revolution with Arab leaders including PLO chairman Yassir Arafat. Page 4

**Argentina extradites**
Argentine appeals court ordered alleged Nazi war criminal Josef Schwammberger to be extradited to West Germany to stand trial on charges involving the deaths of at least 5,000 Jews.

**UN probes Turks**
UN team has sent a fact-finding mission to Bulgaria and Turkey to inquire into the flight of ethnic Turkish Bulgarians who have flooded into Turkey, UN spokeswoman said.

**Japanese Socialist**
Leader of the Japan Socialist Party, Takako Doi, said that if she were in power she would ban the US from carrying nuclear weapons into Japan.

**Royals separate**
Princess Anne of Britain is to separate from Captain Mark Phillips after 16 years of marriage.

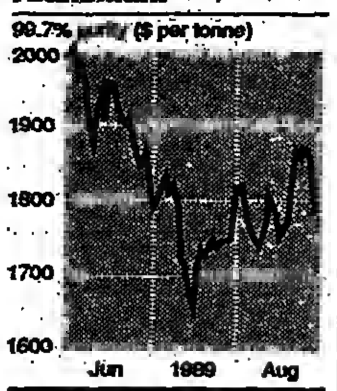
## Business Summary

### Cadbury Schweppes buys US soft drinks group

CADBURY Schweppes said it was strengthening its worldwide soft drinks businesses with the acquisition for $220m of Crush International from Procter & Gamble, international consumer group.

The acquisition, and a second purchase of a Canadian soft drinks business, were announced as Cadbury unveiled interim pre-tax profits of £94.9m ($147m), an increase of 16.2 per cent on the previous year.

ALUMINIUM: Japanese selling put aluminium prices under further pressure on the London Metal Exchange. Dealers said some Japanese buyers were looking to delay fourth quarter contracts as the cash price fell $64.50 to close at $1,789.50 a tonne. Commodities Page 42.




BRITISH Petroleum and British Gas reached agreement for the sale of gas from BP's Bruce Field, the largest undeveloped gas field in the Central sector of the North Sea, in a deal worth £3.5bn ($5.5bn) over 25 years at current prices.

ASTRA, Sweden's biggest pharmaceutical company, increased profits by 23 per cent to SKr916m ($139m) in the first half of 1989, on sales up 21 per cent to SKr3.85bn. Page 20

LEND Lease, large Australian property and financial services group, reported record after-tax annual earnings up 15 per cent at A$135.6m ($108m). Page 23

AMCOR of Australia said after-tax operating profit rose 34 per cent to A$149.5m ($112m) on revenues up 16 per cent at A$2.2bn. Page 23

ZENITH Industries, US electronics group, reported net profits for the fourth quarter ended July 31 up 7 per cent at $6.12m. Page 21

DAIMLER-BENZ, West German automobile and defence group, will gain control of Otomarsan, Turkish bus manufacturer with the purchase of a further 3 per cent more of the company. Page 21

MUTUAL and Federal, one of South Africa's largest short-term insurers, raised gross underwriting premiums to R826m ($299m) from R743m. Page 21

HEES International Bancorp, largest Canadian merchant bank, is establishing its first physical presence in Europe through a deal with London Financial Group, part of London Financial Services, privately-owned financial services company. Page 21

NEW Zealand steel has been cleared by the Commerce Commission to sell for NZ$323m ($190m) the country's only integrated steelmaker to a consortium including Broken Hill Proprietary. Page 21

CARGILL, one of the world's largest privately owned companies, will put up Pakistan's first fruit juice concentrate after four years of negotiating. Page 6

SAAB-SCANIA, big Swedish vehicle and aerospace group, cut its car workforce of 11,500 by 2,000 as part of its rationalisation programme for the loss-making division. Page 20

# Austria set to lift visa constraints on E German refugees

By Judy Dempsey in Budapest and Leslie Colitt in Berlin

THE AUSTRIAN authorities yesterday stepped in to try to resolve the fate of thousands of East Germans stranded in Hungary by agreeing in principle to abolish, on e temporary basis, visa requirements for East German citizens.

The move followed days of frantic negotietions end unscheduled meetings between Bonn, Budapest, Vienna and East Berlin, in an effort to give legal passage to East Germans who refuse to return to their homeland.

In a surprise visit to East Berlin yesterday, Mr Gyula Horn, the Hungarian Foreign Minister, held delicate talks with Mr Oskar Fischer, his East German counterpart, to try to obtain East Berlin's consent for e plan to evacuate the East Germans to West Germany.

Mr Horn said afterwards that he could not yet say whether the talks had been successful.

The meeting in East Berlin came after consultations last Friday in Bonn by Mr Horn and the Hungarian Prime Minister, Mr Miklos Nemeth.

Hungarian officials said this resulted in an agreement with Chancellor Helmut Kohl to allow the East Germans to leave Hungary with passports issued by the West Berman Embassy in Budapest, or alternatively with Red Cross documents.

Hungary is anxious not to provoke its East German ally, which bridled at the idea of its citizens being allowed to use West German passports to escape.

Austrian officials yesterday described their decision as purely humanitarian.

"We are facilitating the activities of the International Red Cross," an Austrian Foreign Ministry official said.

He emphasised the new arrangements would only be short-term.

It is understood the arrangements, when finalised between Vienna and Bonn, will take effect from next Wednesday.

The decision means that, for the moment at least, the pressure on both Bonn and Budapest has been eased.

Earlier this week, there was widespread speculation that West Germany and Hungary would abolish visa requirements for both countries.

This would have meant that those East Germans – 200,000 are at present "holidaying" in Hnngary – could have obtained West German passports and left freely for the West.

"The abolition of visas between West Germany and Hungary would have meant that thousands of East Germans would continue to come to Hungary and obtain West German passports. East Germany could have closed the border completely with Hungary as a result," e Hungarian official privately commented.

Preparetions meanwhile went into high gear in West Germany and Austria for the expected arrival of the refugees.

The West German and Austrian railways arranged for 50 railway cars to transport them Continued on Page 18

# Soviet republic replaces Russian as official speech

By James Blitz in Moscow

MOLDAVIA'S parliament took an historic and controversial decision yesterday to make Moldavian rather than Russian the official language of the republic.

However, it tried to calm the protests of ethnic Russians with concessions on the use of Russian in daily life.

Yesterday's ruling means that Moldavian will become the language of all official documents and meetings in the republic, in the south-west of the Soviet Union, for the first time since the territory was annexed in 1940.

In an unexpected concession to the republic's large ethnic Russian minority, it was decided that Russian should now become the language of "inter-ethnic communication."

Therefore, any of the region's 1.4m ethnic Russians, few of whom speak Moldavian well, can ask for official documents to be printed in Russian, or can demand to speak Russian at formal gatherings.

A member of the Moldavian Popular Front described this as "too big a compromise." It seemed that both Moldavian and Russian would now be used in parliament and official documents, he said.

It is unclear whether the concession is great enough to end protests by ethnic Russians. Nearly 100,000 Russians have been on strike all week in protest against the new language laws.

The concession will be greeted with relief by President Mikhail Gorbachev, who earlier this week telephoned Mr Semyon Grossu, the Moldavian Communist Party First Secretary, and insisted that the needs of the ethnic Russian minority should not be ignored in the legislation.

It appears that Mr Gorbachev's "telephone diplomacy" may have significantly improved political relations between the Kremlin and its outlying republics, which have been tense for the last week.

The Lithuanian Government on Wednesday decided to postpone discussion of a controversial law that would effectively disenfranchise ethnic Russians in that republic from voting.

This followed two telephone conversations at the weekend between the Lithuanian Party leader and Mr Gorbachev, in which the latter warned that the local independence movement had gone "too far."

However, yesterday was undoubtedly a proud day for Moldavians, not least because the Supreme Soviet also ruled that their language should revert to the Latin alphabet, in which form it is virtually indistinguishable from Romanian.

# Olivetti shows 40% decline in half-year earnings to L102.6bn

By Alan Friedman in Milan

OLIVETTI, the Italian office automation group, yesterday revealed a 40.1 per cent drop in pre-tax profits for the first half of 1989, to L102.6bn ($73.3m).

Mr Carlo De Benedetti, the Olivetti chairman whose CIR holding group owns 40 per cent of the company, attributed the decline to an overall squeeze on margins, the cost of Olivetti's current corporate and management reorganisation and "the most profound phase of discontinuity the information technology industry worldwide has ever faced."

He said Olivetti's operating income for the period 1989 had risen by 2.6 per cent and said consolidated group turnover was up by 8.7 per cent at the end of June, totalling L3,937.8bn.

Mr De Benedetti also underscored the fact that European competitors such as Bull of France and Nixdorf of West Germany had posted first half losses and said Olivetti's turnover was in line with top US companies in the information technology sector which had achieved an average 8.5 per cent growth rate in first half revenues.

Olivetti had suffered most during the first four months of 1989.

This reflected "the effects of a relative loss of efficiency due to the profound reorganisation of group activities that became active as of January."

Orders and revenues had picked up from May, however. He noted that on a year-to-year basis these were respectively 9.9 per cent and 10.9 per cent higher at the end of July.

He said the company would produce a set of 1989 profits more or less in line with last year's L358.2bn consolidated net "if the improvement of June and July continnes."

Mr De Benedetti was speaking after a special shareholders' meeting approved plans for a share-and-bond rights issue designed to raise up to L1,279bn, the first increase in Olivetti's ordinary share capital since 1980.

Mr Vittorio Cassoni, chief executive, said the proceeds would be used to eliminate the company's L750bn total debt and to fund expansion within the company as well as possible acquisitions.

A range of upmarket computers making use of the Intel 486 microprocessor would be unveiled on October 19. The company would also launch new personal computers for the home.

American Telephone & Telegraph, which recently agreed to swap its 22.35 per cent stake in Olivetti for an 18.6 per cent holding in CIR would not have to subscribe the new Olivetti rights issue because it would already have become a shareholder of CIR when the issue takes place in October.

● Nixdorf said it may cut more jobs this year than the 1,600 it had originally planned, agencies report. But it said a West German report that it planned to lay off between 2,500 and 3,000 employees was inaccurate.

# Creditors consider short-term financing for Mexico

By Stephen Fidler in London

MEXICO'S leading bank creditors are considering a large new short-term financing for the country, perhaps of more than $1bn, in order to surmount one of several obstacles holding np e final deht accord between the country and its banks.

Tbe proposed standby finance, to be provided by a small group of lenders in the form of a letter of credit, is considered easier to arrange than a formal hridging loan. However, there are doubts that those hanks which plan to reduce their exposure to Mexico under the eventual agreement will he inclined to lend new funds – even temporarily.

The talks to finalise the agreement – the first to be agreed in principle under the international deht initiative launched in March hy the US Treasury Secretary, Mr Nicholas Brady – are proving significantly more complicated than expected.

This – together with a critical assessment of the Brady initiative by the US credit rating agency Moody's – is understood to be causing official concern in the US.

Mr Gerald Corrigan, president of the Federal Reserve Bank of New York, had been expected to attend e monetary conference this week in Jackson Hole, Wyoming, bnt is said instead to have been consulting bankers on the progress of the talks.

The Mexico deal would allow banks either to make new loans totalling 25 per cent of their exposure, or to exchange their loans for 30-year bonds, which would either reduce Mexico's debt principal by 35 per cent or rednce the interest paid to a fixed 6¼ per cent.

The bonds are backed by some $7bn in official funds from the International Monetary Fund, World Bank, Japanese Export-Import Bank and Mexico's own reserves. Banks want these funds to be available as soon as they take the bonds, but the IMF and Japanese Government want their credits phased in over a period.

Many banks lent to Mexico in their own domestic currencies. This complicates calculations and may require collateral in these curreocies.

Details of the agreement had been expected to be in place by late Angust, now the middle of September is more likely.

Student demonstrators at Johanneshurg's Witwetersrand University flee police tear gas yesterday

# SA police raid offices of black labour federation

By Patti Waldmeir in Johannesburg

SOUTH AFRICAN police yesterday took nationwide action against the organisers of an anti-apartheid defiance campaign aimed at disrupting next Wednesday's general elections.

Protest action by anti-apartheid groups has increased markedly over the past few days, during the run-up to the elections on Septemher 6 in which blacks are excluded from voting. Police have responded with scores of arrests and detentions of numerous activists, as well as using teargas and rubber bullets to disperse demonstrators.

They raided the offices yesterday of the country's largest black labour federation, Cosatu, which later called for two days of nationwide protest against the elections and a month-long consumer boycott to protest against apartheid.

Police searched both the home and office of Cosatu's general secretary, Mr Jay Naidoo, a prominent figure in the so-called mass democratic movement (MDM), and a key organiser of the protest action. They removed documeots and detained 11 Cosatu members.

At the white University of the Witwatersrand, riot police fired repeated volleys of tear gas and rubber bullets at students staging e defiance rally.

In Pretoria, the acting President, Mr FW de Klerk, raised the spectre of terrorism against the state, saying nine guerrillas who had entered the country to disrupt the elections had been arrested. And in Durban, police detained five activists, including a senior memher of the banned United Democratic Front.

Political analysts said a police crackdown on protest was to be expected given the proximity of next week's elections. Although security has been less of an issue in these elections than in tbe last whites-only poll in May 1987, there are still votes to be gained from exploiting voters' fears of hlack unrest.

The next few days could well see further confrontations between demonstrators and the security forces. The MDM has called for nationwide shop-floor protests today to mark the first anniversary of the adoption of tough new labour laws. And national protest actions called for next Tuesday and Wednesday are likely to take the form of a general strike.

Militants among the leadership of the country's two largest black union federations, Cosatu and Nactu, had originally favoured a five-day strike.

But after meeting local and community organisations, this was reduced to a two-day strike. As many as 2.5m workers participated in the last such strike in 1988.

Plans for a nationwide month-long consumer boycott from 13 September were much less well developed. Past boycotts, aimed et exerting pressure on Pretoria to scrap apartheid, have achieved little.

The most successful have been those focusing on local issues, such as the reimposition of petty apartheid in the Transvaal towns of Boksburg Continued on Page 18



## MARKETS

**STERLING**
New York closing: $1.5685
London: $1.5735 (1.5825)
DM3.08 (same)
FFr10.3825 (10.37)
SFr2.6575 (2.655)
Y227.5 (same)
£ index 91.5 (91.6)

**GOLD**
New York: Comex Dec $362.3
London: $360.0 (360.75)

**N SEA OIL (Argus)**
Brent 15-day Sep $17.2 (17.1)

Chief price changes yesterday: Page 19

**DOLLAR**
New York closing
DM1.9650
FFr6.6305
SFr1.6965
Y145.00
London:
DM1.9575 (1.9465)
FFr6.5975 (6.5625)
SFr1.688 (1.6775)
Y144.45 (143.7)
$ index 71.8 (71.0)
Tokyo close: Y144.28

**US LUNCHTIME RATES**
Fed Funds 8[illegible]%
3-mo Treasury Bills: yield: 8.131%
Long Bond: 9[illegible]
yield: 8.198%

**STOCK INDICES**
FT-SE 100: 2,387.9 (+6.6)
FT Ordinary: 1,977.6 (+8.7)
FT-A All Share: 1,207.45 (+0.3%)
FT-A long gilt yield index high coupon: 9.42 (9.40)
New York closing
DJ Ind. Av.: 2,737.27 (+8.12)
Tokyo: Nikkei 34,431.2 (-40.46)

**LONDON MONEY**
3-month interbank: closing 13[illegible]% (same)



## CONTENTS

**Prime Minister Thatcher's new team runs out of holidays**

The British Premier's ministerial team gets back to work next week. It will have to tackle an opposition Labour Party that is leading the opinion polls, and e host of manifesto commitments that are proving less than popular Page 8

# Plan for radical widening of EC financial market

**By Tim Dickson in Brussels**

THE RADICAL prospect of Nordic countries and other members of the European Free Trade Association becoming full members of a single European Community financial services market was held out yesterday by Sir Leon Brittan, the UK's senior Commissioner in Brussels.

In a speech in Copenhagen which many will consider controversial, Sir Leon seemed to go further than many recent EC pronouncements about closer political and economic co-operation with Efta states.

Leon Brittan

Referring to the way Nordic countries have brought many provisions of recent EC banking and solvency rules into their own legislation, he suggested that "at a later stage" this might "lead to the situation where we could review whether the principle of home country control could perhaps be extended to cover some countries which are not members of the Community."

Home country control is the key principle underlying the EC's recently adopted second banking directive.

It means that home country, or national, supervisors retain primary responsibility for the European-wide activities of the banks they have authorised, whether their business is conducted through branches in other member states or as a services provided from their domestic base.

Essentially Sir Leon is hinting that banks in, say, Sweden and Norway could one day do business throughout the EC without actually being established in an EC country.

But he cautioned: "What we are entitled to insist on in exchange for the advantages of access to what will be the biggest and most unified financial services market in the world is that their countries should not discriminate against Community firms in their home markets. We do require a minimum of genuine national treatment."

Sir Leon's decision to float his ideas publicly at this stage in part reflects the successful conclusion in June of the EC's internal deliberations about how a single banking market would work.

But as one EC diplomat pointed out yesterday: "Given the way the EC directive and the international Basle Concordat on financial supervision have been moving along consistent paths, his suggestion seems logical." He added: "The idea must be very tentative at this stage. It is too early to say how the negotiating procedures would work."

In his speech, delivered to the Nordic Mortgage Credit Conference, the EC's financial services Commissioner also appeared sceptical about the need for a separate EC directive on mortgage credit.

Pointing out that much of the framework was already provided for in the second banking directive, he said that "market forces can be more dynamic than any Community legislation". Specialised mortgage institutions such as UK building societies and German Bausparkassen are already active in other member states.

Sir Leon added, however, that the Commission was considering what further harmonisation was needed to remove obstacles in the sector.

● Anti-apartheid campaigners urged the EC yesterday to intervene to prevent South Africa curbing an EC-funded group which helps apartheid victims, Reuter reports from Brussels. A development group known as Sanam said Kagiso Trust, a church-run body, had been told by Pretoria it fell under a new law requiring "reporting organisations" to reveal the source and purpose of funds from abroad.

# De Mita resigns as party president

**By Alan Friedman in Milan**

THE Italian Government of Prime Minister Giulio Andreotti risks being weakened by fectional infighting within the Christian Democratic party as a result of the resignation yesterday of former Prime Minister Ciriaco De Mita from the party's presidency.

Mr De Mita, battered by an intense nine month-long power struggle within Italy's Christian Democratic party, has been on the political skids since last February when he was unseated as party secretary by a coalition of mid-tom Christian Democrats led by Mr Arnaldo Forlani, his successor as secretary, and Mr Andreotti, his successor as premier.

Mr De Mita's resignation from the party presidency, although something of a symbolic gesture, is both a sign of his frustration and of his determination to shed all official party responsibilities in order to oppose the present party leadership in an unhindered manner. Some have even gone so far as to suggest a possible split in the Christian Democratic party, which has ruled in every government coalition since 1946.

Mr De Mita, the leader of the reform wing of the Christian Democrats, had been party secretary for seven years when he was deposed last February in a bruising political setback from which he never recovered. The arrival of Mr Forlani, a traditional Christian Democrat consensus seeker and party machine operator, signalled an end to Mr De Mita's policy in the 1980s of *rinnovamento*, or trying to reform and modernise the party. Although still premier Mr De Mita was weakened considerably last Spring; he resigned in May amid sharpened party rivalries ahead of the European elections and was unable to form a new government, at least partly because of Socialist party opposition to him.

Mr Bettino Craxi, the Socialist party leader who aside from Mr Andreotti and Mr Forlani is Mr De Mita's most bitter enemy, was widely reported to have conspired with Mr Forlani to oust Mr De Mita from the prime ministership, a charge that has been roundly denied by all concerned.

# Solidarity ponders trade union role

**By Christopher Bobinski in Warsaw**

NINE YEARS after signing the Gdansk accord which led to the birth of Solidarity, Eastern Europe's first free trade union, Mr Lech Walesa, the movement's leader, yesterday commemorated the event outside the Lenin shipyards.

Despite the movement's remarkable political achievements, however, its trade union wing is growing more slowly than expected, and organisations in the large factories, Solidarity's traditional power-base, are still weak.

The development is surprising as Solidarity, which was banned in December 1981, has managed in a matter of months to win recognition from the authorities, demonstrate overwhelming support in elections and shoulder the Communists aside from government.

Now it is Mr Tadeusz Mazowiecki, an adviser to Mr Walesa in the August 1980 strike, who is forming a Solidarity-led coalition government and he will be looking to the trade union wing to support his economic policies.

Yesterday, Mr Walesa, accompanied by Solidarity's members of Parliament, laid a wreath at the Gdansk monument commemorating workers killed during demonstrations in 1970 over food price rises. At the same time, Solidarity's headquarters reported that actual membership of the union had climbed to 2.2m since registration in April.

In Warsaw, the Solidarity headquarters for the capital and seven outlying regions, membership has reached 155,000 and is a fifth of what it was at the movement's peak in 1981. This still leaves the OPZZ official union with 7m cardholders as the country's largest shop-floor movement and, what is more, they are reporting that their membership is not declining as fast as many of its leaders had feared.

This would suggest that Poles are more inclined to see Solidarity as a political movement rather than a trade union. Indeed, most of the movement's energy over the past few months went into the election campaign accompanying the June election.

Mr Mazowiecki's election as Premier and Mr Walesa's consequent appeals for an end to the wage strikes which had continued throughout most of August have largely succeeded and in future it seems difficult to see how Solidarity's unionists will be in any position to strike against "their" government while the OPZZ will be free to make demands and back them with threats.

Indeed, the question hanging over yesterday's wreath laying ceremonies is what future, if any, Solidarity has as a trade union and whether Mr Walesa should not build on his electoral success in June and organise a political party based on his popularity.

● Poland's Solidarity movement and a Hungarian opposition group asked the French Government for financial aid yesterday, Reuter reports from Paris.

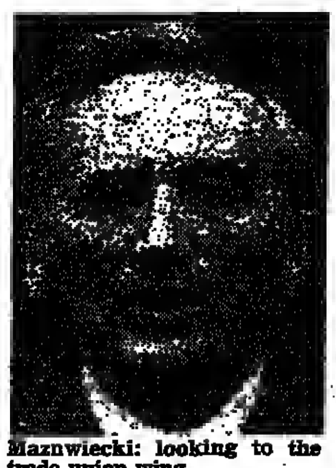
Solidarity adviser Adam Michnik and Laszlo Rajk, a member of Hungary's Free Democratic Alliance, said they had appealed for financial backing during a private lunch with French Prime Minister Michel Rocard.

Mr Rajk, whose father, a former foreign minister, was executed after a show trial in 1949, said Mr Rocard had pledged the ruling French Socialist Party would support Hungary's independent parties.

He said he was confident that the Hungarian opposition would win multi-party elections due by mid-1990.

"The very fact that we were invited here today is important... Mr Rocard is going to support real democracy," he said.

The Government invited both men to Paris for celebrations marking the 1789 Declaration of Human Rights.



Mazowiecki: looking to the trade union wing

Walesa: winning appeal over wage strikes

**West German Chancellor Helmut Kohl telephoned Polish Prime Minister Tadeusz Mazowiecki yesterday on the 50th anniversary of the Nazi invasion of Poland, to seek reconciliation between their countries, Reuter reports. A government statement said Mr Kohl rang Mr Mazowiecki to stress the special responsibility of those who had lived through the war to make sure it would not be repeated. "We owe that to our children's generation," it quoted Kohl as saying. "Fifty years after the beginning of the Second World War the time has come for a lasting reconciliation." The telephone conversation was detailed and friendly, it said. The Polish Senate said on Wednesday that Poland was still not fully reconciled with Germany, calling the six-year conflict "the most horrific experience in the history of our people."**

# Yugoslav inflation soars to nearly 1,000 per cent

YUGOSLAVIA's Communist Government suffered a blow yesterday in its effort to save the economy official data showed inflation soared to almost 1,000 per cent in August, Reuter reports from Belgrade.

The Federal Bureau of Statistics said annual inflation rose by a monthly record of 206.2 percentage points to 993.8 per cent compared with 788.6 per cent in July. In August 1988, inflation stood at 198.4 per cent.

The figures were issued one day after a deputy prime minister, Mr Aleksandar Mitrovic, said the Government would re-denominate the dinar, perhaps as early as this year, to combat inflation.

Mr Mitrovic did not give precise details of the reform, which was the most drastic measure yet announced to tackle the economic chaos. The last re-denomination of the dinar occurred in 1965, when 100 old dinars were replaced by one new dinar.

The dinar has collapsed in value this year. It was quoted yesterday at about 29,100 to the dollar, compared with about 22,500 just one month ago and less than 3,000 a year ago.

Yugoslavia is also struggling with at least 16 per cent unemployment, a foreign debt of more than $20bn, low industrial productivity and labour unrest.

# Unification of Germany 'on political agenda'

THE West German Government believes German reunification has become a current issue of world politics – and one senior member of the Government has proposed an international conference on re-unification, according to a report in the conservative daily newspaper the Frankfurter Allgemeine Zeitung, writes David Goodhart in Bonn.

The report, which was confirmed by one leading political figure, added that Mr Helmut Kohl, the Chancellor, has changed his previous view that German reunification was not on the international agenda. However, Mr Kohl has rejected the idea of an international conference on re-unification as "counterproductive." He believes the Western allies were not yet ready for such a step.

The debate over the new importance of the reunification theme came during an official discussion between the three centre-right coalition parties – the Christian Democrats, Christian Social Union and Free Democrats – last Tuesday evening.

After the meeting the government spokesman gave details only of the discussion about the refugee flow from East Germany.

Reunification is likely to be an issue in next year's national election.

# Kohl backs unions on EC social charter

**By David Goodhart in Bonn**

CHANCELLOR Helmut Kohl has lined up with the West German trade unions against the country's employers on the issue of how to approach the "social dimension" of the European Community.

During the second in a series of national conferences on the Community, Mr Kohl called for legally binding minimum social standards – against most employers' desire for only a voluntary charter – and also expressed an unusually positive view of his country's co-determination system of worker representation on company boards.

He described the co-determination system as a clear benefit to West German industry and said that businessmen and trade unionists should sell the advantages of the "German model" more aggressively abroad.

He did not suggest, however, that the West German model of worker participation should be the only one on offer in the proposed EC company statute.

Mr Kohl's broadly positive view of West German preparation for the EC single market was not contested by industry representatives. However, Mr Tyll Necker, of the Confederation of German Industry (BDI), did say that any attempt to impose West German labour costs, working hours and co-determination on other nations in the EC would prevent the development of those regions.

The BDI and the Federation of German Unions (DGB), which recently produced a joint statement on the single market are next week expected to produce a more specific priority list of the social rights which should be guaranteed within the EC.

The DGB remains anxious that the single market will make it easier for West German companies to by-pass the co-determination system.

One official also expressed scepticism yesterday about Mr Kohl's apparent support for union positions, saying that it was easy to make vague statements on the social dimension.

The Chancellor may also have been seeking an opportunity to improve his image on the left after the recent dropping of Mr Heiner Geissler as Christian Democrat general secretary, a move widely seen as a shift rightwards.

# Soviet team to visit West over drugs trade

SOVIET customs experts will visit West Germany this year as part of an effort to improve East-West co-operation in combating the international drugs trade, a finance ministry official said yesterday Renter reports from Bonn.

"The Soviets want to get a thorough picture of our drug enforcement metbods," Mr Walter Smutzer, bead of the finance ministry's customs department, told reporters.

Tbe visit will be the first time the Soviet and West German customs services have worked together, he said. It was made possible by an agreement signed in June between Mr Mikhail Gorbachev, the Soviet leader and Chancellor Helmut Kohl.

"A considerable part of the German drug trade goes through Frankfurt airport, hnt we have invested a lot of technology and manpower to combat it," Mr Smutzer said.

The Soviets will be shown the devices used in Frankfurt to intercept drug smugglers and mail, be said.

In the new climate nf openness under Mr Gorbacbev's leadership, the Soviet Union recently admitted it has a drug problem and is taking steps to deal with it.

# Fleeing East Germans leave gaps in the country's economy

**By Leslie Colitt in Berlin**

EAST Germany is already feeling the economic and social impact of thousands of citizens fleeing to the West each week via Hungary and emigrating in record numbers.

Private car mechanics, plumbers, hakers and restaurateurs who make up a disproportionately large nnmber of the refugees have left behind closed sbops and restaurants and disgruntled customers.

An East Berlin woman was who wanted her car repaired a few days ago found the privately-owned garage shut two weeks after the owner was to have returned from a holiday in Hungary. She suspected he would never return.

A more liberal policy in granting state licenses to open up private enterprises boosted the number of private repairmen and trades people last year hy 3,100 to 186,600 - compared, however, with 425,000 in 1960. The number has undoubtedly fallen sgain because of the exodus to the West.

The departure of many skilled machinists has disrupted production in large factories already suffering from a lack of manpower dne to a chronically low hirth rate. Nearly 100,000 foreign wnrkers have been brought in in recent years from Poland, Vietnam, Cuba, Mozamhiqne, Angola and even China. While the Deutsche Reichsbahn (railway) of East Germany is desperately short of drivers and other personnel, the Bundesbahn in West Germany is offering jobs to virtually every East German railway worker who escapes.

Medical care in East Germany is one of the sectors worst hit hy the waves of escapes and emigration. Badly underpaid doctors and dentists - an East German physician with 10 years experience earns Marks 1,500(£487) a month - have been leaving in droves. The prospect of earning DM10,000(£3,246) a month in West Germany has emptied hospitals of virtually all doctors between the ages of 30 and 50.

Most East Germans who leave are young couples with children and this is a particular blow to a leadership which had given them generons social benefits to have children. Invariably, it is the most ambitious citizens who leave and bring their skills to the West. Statistically, each departing East German will cause a relative left behind to apply to emigrate and, if refused, to escape.

# Budapest and Bonn look for way to stem the tide

**Judy Dempsey** reports from the Hungarian capital on efforts to tackle the refugee problem

IT IS almost a replay of a year ago. The street packed with cars carrying foreign number plates. Couples walking aimlessly up and down tbe road. The church providing shelter, food and clothing.

Last year, thousands of Romanian refugees, many belonging to the ethnic Hungarian minority, crossed the border into neighbouring Hungary. But unlike this year's influx of East Germans, the Romanians have nowbere to go. Many still remain in Hungary. Many wait for visas to the West in the hope of a new life. But for them, it will be a very long wait.

Not so for the East Germans, at least that is what the hard-pressed Hungarian authorities are boping. In an important agreement yesterday in Vienna, Austria agreed to suspend visas temporarily for East Germans. It had been expected, however, that Bonn and Budapest might aholish visa requirements for both Hungary and West Germany.

But officials in Bndapest believe that this would not solve the problem since thousands of East Germans would still attempt to travel to Hungary, obtain West German passports and then travel freely to the West. It is also understood that Mr Gyula Horn, tbe Hungarian Foreign Minister, who made an unexpected visit to East Berlin yesterday, encountered considerable opposition to tbe visas proposal.

Austria's action yesterday means that the many thousands of Esst Germans – 20,000 by some estimates – will be free to cross the border into Austria and make their way to tbe West.

But for the moment, the teots within the grounds of the Catholic Church of the Holy Family, on Szarvas Gabor Road, which looks down on Budapest, remains full to bursting point.

East Germans queue for food in the garden of a Budapest church

For the past week, more than 20 East Germans a day have come up bere to seek sbelter. They are all young. "Many of them are in their early to mid-20s. Many of them are doctors and laywers," says Mr Imre Ugron, a West German citizen of Hungarian descent. Along with his west German and Hungarian colleagues who are attached to the Maltese Cross amhulance and humanitarian organisation, they have provided a temporary home for thousands of young East Germans.

The grounds of the church, one of two sites run by the Maltese Cross, were thrown open to the East Germans in mid-Angust. Today, they resemble a camp site, with makeshift clotbes lines, food centres and sanitary facilities. Most of the tents belong to the East Germans who bad planned to "spend their holidays" in Hungary. But the temptation to cross the border into Austria was too great for many.

"I tried last week to cross," explained Horst, a 24-year-old engineer from Dresden. "I was caught by the Hungarian border guards. They said they have to send me back to East Germany. So I immediately came to the church."

He is just one nf bundreds who, since May, have tried to cross into Austria after Hungary began dismantling the Iron Curtain with its Western neighbnur. Many have been successful. But the 1,700 who remain in the Maltese Cross camps in Hungary are now waiting for Budapest and Bonn to legally facilitate their passage to the West.

What both governments are trying to do is make the West German passport a legitimate document for travelling from Hungary to the West. Although many East Germans have been given West German passports by Bonn's embassy in Budapest, these documents have proved useless for exit to the West from Hungary.

The problem was hest summed np hy a Hungarian Maltese Cross official. "Those who have not entered Hungary as West Germans, cannot legally leave Hungary as West Germans," he said. People with an entry visa must leave the country with an exit visa and return whence they came. Thns, those East Germans, equipped with new West German passports have found themselves in a very tantalising situation.

"The only solutiun was to try to get across to Hungary without being stopped by the Hungarian horder guards," said Ingrid, a young mother with two children. "Once in Austria, we have safe passage with the West German passport. I did not want to take the risk just in case anything happened to the children on the horder. So we stay here, waiting and hoping that we can leave on a legal basis."

But as Bonn and Budapest ponder the future of East Germans in Hungary – the official estimate puts the number on "holiday" at 200,000 – Hungarian officials realise that even abolishing visas will not stem the flow. "If East Germans know they can come to Hungary and obtain visa-free West German passports, the flood will continue," Hungarian diplomats explain. Other officials inevitably fear that East Germany might be very tempted to ban travel altogether to Hungary as a means of stemming the exodus.

It is a depressing prospect which for many East Germans nnw in Hungary has nnly served to vindicate their decision to flee in the first place. "We took the chance. We are tired of waiting for change at home. We make change with our feet," said Ingrid.

She, like so many camping ont in the church are not "politicals", who have tried to articulate their grievances through the independent-minded Lutheran churches at home. "We simply beard about the hole in the wall (between Austria and Hungary) and we said to ourselves, it is now or never."

However, the burden, as it was, and continues to be, especially with the Romanian refugees, has rested on the shoulders of the Hungarians. They have taken an enormous risk in opening their border with Austria. After all, they knew it was only a matter of time before people from all over Eastern Europe and the Sovet Union would test the breach and impose even more pressure on Austria's open-door policy to all refugees.

The action has again tapped the good nature of ordinary Hungarians who give temporary accommodation in their small apartments to East Germans. And it has inevitahly opened a new chapter in Hungary's relations with East Germany, indeed with the rest of Eastern Europe, if not with the West.

"For years, the West has been telling us to open our borders. Well, that is exactly what we have done," said a senior Hungarian diplomat. "We are hringing nur foreign policy into line with Western standards."

Such a decision, however, has undermined even further the increasingly fragile unity among East European countries. But where the East Germans and the near forgotten Romanian refugees, whn despite more vigilance by Romanian border guards, continue to slip into Hungary, the more dents in that unity, the better. And it is those refugees from both countries who now think it is time that the West respnnded to the radical changes taking place in Hungary and Poland. The abolition of visas they suggest, might be a start in the right direction in bridging the East-West divide.

# Sabena workers may continue go-slow

SABENA fligbt attendants ended tbeir second week of slowdown actions on all flights of the national airline yesterday hut threatened to continue next week if their pay demands were not met, officials said, reuter reports from Brussels.

For tbe second week running, the 1,200 attendants delayed by two bours some 200 Sabena flights, hut interrupted their sction for the weekend not to affect the heavy boliday traffic.

A new meeting, between a negotiator, unions and management was set for Friday to discuss the demands for more pay.

# Rushdie sales halted

TWO of the Netherlands' largest department store chains, Bijenkorf, and Vroom and Dreesmann, said yesterday they would not stock Salman Rushdie's book The Satanic Verses after a Moslem group tbreatened "blood will flow." Renter reports from The Hague.

# Finland starts talks on atoms research project

FINLAND has begun negotiations to join a massive atom-smashing research project on the French-Swiss border, the organisers announced yesterday, Reuter reports from Geneva.

The European Laboratory for Particle Physics (CERN), which has just started up a $700mr atom collider to try to discover the basic elements making up the universe, said Finland planned to become the 15th member in 1991 or 1992.

CERN said Finnish physicists had already actively participated in its programmes since 1967. "The decision of the Finnish government to seek full membership is a most welcome move," it stated.

CERN physicists are currently studying minute "Z" particles produced when electrons and positrons are bombarded around the 27-km (16-mile) circular collider, a tunnel under France and Switzerland.

It is pure research but they are sure practical benefits will eventually result.

Helsinki's contribntion, calculated on this year's CERN budget, would be SwFr15.7m ($9.3m) – 1.9 per cent of the total.

All the other leading western European nations including the other Nordic countries, are already members.

# EC apartheid appeal

THE EUROPEAN Community was urged yesterday by anti-apartheid campaigners to intervene to prevent South Africa from placing restrictions on an EC-funded group which helps victims of the apartheid race segregation system, Reuter reports from Brussels.

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# US military to aid Colombians in war on drugs

US MILITARY personnel and equipment will be sent to Colombia to train troops and police in the war against drug cartels, the Defence Department said yesterday, Reuter reports from Washington.

"It will be between 50 and 100 total (personnel)," Mr Pete Williams, Pentagon spokesman, said in the first official estimate of the number of personnel to be sent to Colombia along with $65m worth of US military equipment.

Mr Williams said the advisers would train Colombians in how to use the equipment, including helicopters and other weapons in an emergency anti-drug package promised to Bogota by US President George Bush last Friday.

Although a final list of the equipment to be sent has not been completed, Mr Williams said the first delivery was expected to be shipped on Sunday on two C-130 military transport planes.

He said the aircraft may even be flown without cargo and immediately handed over to the Colombian Government to use in transporting the US equipment.

"A small group of (military) support personnel will arrive in Colombia on Friday" to prepare for the initial shipment, Mr Williams said.

The defence spokesman refused to say what the final package of military aid to Colombia would include, although President Bush said last week that the offer included 21 military helicopters, small arms, jeeps, ambulances, small boats and other aircraft.

US and Colombian officials have been revising a shopping list from Bogota to determine what equipment is available and would fall within the $65m total, Mr Williams said.

Colombia had asked for small A-37 jets, used as trainers by the US military. The aircraft can be equipped with machine guns, bombs and rockets and used as fighters.

Meanwhile, a powerful bomb exploded yesterday in Medellin, home of a powerful cocaine cartel.

The Colombian Government launched an offensive against the drug cartels after the recent murders of a prominent presidential candidate, a judge and a police chief. The cartels, in turn, declared war on the Government.

The US on Wednesday urged Americans in Colombia to leave the country and the US embassy in Bogota ordered families of staff out within 10 days.

Nicaraguan President Daniel Ortega (centre) leads a parade in Esquipulas, where he promised 1,000 jailed contras would be released and announced plans to travel to Libya for the 20th anniversary of the revolution led by Col Muammer Gadaffi

# Manufacturers' new orders fall by 1.7% in July

By Lionel Barber in Washington

NEW orders for US manufacturers fell by 1.7 per cent on a seasonally-adjusted basis in July, the Commerce Department reported yesterday, but figures for June were revised up.

The fall in July's orders to $231.3bn (£145bn) was slightly more than forecast in the financial markets, though orders have been fluctuating since the year's high last April of $239.9bn.

Shipments of manufactured goods also fell, by 1.9 per cent, the third consecutive monthly decline. The decline was largely felt in the durable goods sector, mainly in motor vehicles and parts, as well as transportation equipment.

Order books, however, rose again, continuing a trend which started in March 1987. The increase has largely occurred on the back of a booming aerospace industry which has not been able to meet demand for new aircraft.

Inventories continued to expand, increasing by 1.1 per cent in July to $370.4bn. The inventory-to-shipments ratio in July was 1.63, up from 1.58 in June.

The fall in June's orders, while suggesting a slowdown in the US economy, comes amid other economic data which shows continuing strength in the first half of the year.

June's figure for factory goods, like other indicators from the first half of the year, was revised upward to an 0.6 per cent increase from the previous 0.4 per cent rise, the department said.

This week, the government revised its estimates of GNP growth in the second quarter to 2.7 per cent against an initial 1.7 per cent. Profits, however, fell and doubts remain about the composition of demand, particularly the smaller contribution to growth made by net exports.

While the economy has shown surprising strength in areas such as consumer spending and exports, the trend for factory orders in the first half of 1989 has been flat.

Dealers said yesterday that their attention is focused on today's employment figures which may show a slight rise in the jobless rate. Some predicted a rise of 0.1 per cent to 5.3 per cent in unemployment.

# Market relief as Brazil inflation stabilises

By Ivo Dawnay in Rio de Janeiro

INFLATION in Brazil stabilised in August with prices rising by 29.3 per cent – only a fraction of a percentage point above the previous month.

Although the figure is a record under the Government's current Consumer Prices Index (IPC) measures, markets have reacted with relief after predictions that the rate would exceed 30 per cent. Forward rates in the financial markets have now marked down expectations for September, measured from mid-August to the middle of this month, to about 33 per cent, 2 percentage points down on previous forecasts.

Without big upsets in the coming two months, several economists predicted yesterday that the monthly increase in the rate could be contained at about 2 to 3 percentage points.

But there remain substantial political risks between now and presidential elections, the first round of which begin on November 15.

# Canadian growth stalled by poor trade figures

CANADA'S real gross domestic product rose at an annualised rate of 0.8 per cent in the second quarter, the slowest growth rate since the final quarter of 1986, Reuter reports from Toronto.

Growth was throttled by a poor trade performance in the second quarter, but strong consumer and business spending are expected to keep a recession at bay.

However, the pace of spending, while expected to abate later in the year, will provide the Bank of Canada with little incentive to ease its tight money policy just yet.

"The economy is slowing but growth was still very strong domestically," said Mr Michael Manford, ScotiaMcLeod chief economist. "We're far from heading into a recession."

GDP rose 2.52 per cent over the second quarter a year ago. Output slowed in the quarter and there was a halt in the number of new jobs being created. Housing starts dropped and there was a weakening in the resale market.

Personal expenditures, however, rose by a non-annualised 1.3 per cent after expanding 0.4 per cent in the first quarter.

The monthly measure of GDP, at factor cost by industry, was unchanged in June, following gains of 0.2 per cent in both May and April.

Largely to blame for the slump was a record balance of payments deficit in the current account of C$5.7bn (£3.06bn) in the quarter, up from C$3.7bn in the first three months.

That was caused by a shrinking of the merchandise trade surplus, which fell to its lowest level in more than a decade, as a higher dollar reduced demand for Canadian products abroad while imports surged.

Higher purchases of crude oil led the increase in imports, while sales abroad of wheat, non-ferrous metals and alloys and auto products declined.

# Menem's economic reforms diluted

By Gary Mead in Buenos Aires

ARGENTINA'S congressional lower house has finally approved President Carlos Menem's economic emergency bill, after substantially diluting its terms.

The bill is part of the administration's attempt to slash public spending through a variety of measures, particularly by eliminating state subsidies to the private sector (which in 1987 were $4.7bn).

The original bill proposed the suspension for 180 days of all such subsidies, but the final law will cut the subsidies by only 50 per cent.

At the end of the 180-day period the subsidies will return in full, unless other legislative action is taken.

Other measures, such as a moratorium on past unpaid taxes (designed to encourage tax evaders to come forward and start afresh), and greater government flexibility on contracts and salaries for senior civil servants, were kicked out by the lower chamber.

Government spending on civil servants' salaries is estimated to have been $3.4bn in 1987.

The bill goes back to the Senate for final approval before becoming law, but further modifications are not expected. The alterations to the bill have angered President Menem, not least because they owe much to lower house politicians from his own Peronist party.

Describing the attitude of the deputies as "absurd and arbitrary," President Menem's economic team has suffered its first major setback in its attempt to close Argentina's fiscal deficit, which for 1988 was estimated at 13 per cent of gross domestic product.

Argentina's public spending problems were last year the root cause of its failure to persuade the International Monetary Fund to extend fresh loans. President Menem hopes to sign a new letter of intent with the IMF before the end of September, for a stand-by loan of $1.5bn.

One condition of that is likely to be the successful implementation of a new and simplified tax system. On Wednesday this week President Menem's cabinet met to discuss details of the tax reform.

# Top Argentine officers relieved of active duties

By Gary Mead in Buenos Aires

TWO OF Argentina's most senior army officers, General Alfredo Arrillaga and General Francisco Salas, have been relieved from active duties.

No official reason has been given for the move, but both generals are known for their hard-line opposition to the internal army faction supporting Lieutenant Colonel Aldo Rico and Colonel Mohamed Ali Seineldin, who led three insurrections between April 1987 and December 1988.

Under military regulations, officers removed from active service are permitted to stay within the force for one year. They are required to retire if by the end of that time they have not been returned to full service.

General Arrillaga came to public attention in January when he led troops in crushing a civilian attack on an army base at La Tablada.

General Salas was appointed to that rank only at the start of this year, after an army reshuffle following the departure of former chief of staff General Dante Caridi, who was forced out by Colonel Seineldin's rebellion last December.

The removal of the two officers from active service implies the end of their military career, barring drastic changes in the military hierarchy. Their staunch opposition to army dissidents is shared by several other senior officers, who regard attempts by President Carlos Menem and army chief of staff General Isidro Caceres to placate the rebels as having serious implications for the future of army discipline.

# Brady debt plan raises problem for Philippines

By Greg Hutchinson in Manila

THE phasing in of a hoped-for $1.5bn of official support for a debt buy-back programme for the Philippines is proving a potential problem for the country's debt agreement with its leading banks.

The phasing-in of the financial support from the International Monetary Fund, World Bank and other official sources is also proving a tricky obstacle to a debt accord between Mexico and the banks.

The support is provided to finance a reduction of countries' commercial debt under a new international initiative launched in March by Mr Nicholas Brady, the US Treasury Secretary.

"We have not enough reserves. Our intention is that (the buy-back) be financed by multilateral sources," Mr José Fernandez, Central Bank governor, said yesterday.

The buy-back programme is a key element of the Philippines' agreement of August 16, which restructured its $7.3bn of commercial debt. The other prong is the provision of a hoped-for $1.4bn in new loans – to be structured as bonds – from creditor banks, affirming their continued role as lenders.

The Philippines has undertaken not to restructure the bonds, a limit arguably on the country's freedom of action and a signal to banks against fence-sitting.

Banks have reacted largely favourably to the deal, allowing the Philippines an eight-year grace period, a year more than Mexico, on its bonds, which have a 15-year maturity. Certainly, they are far more disposed to it than the Mexican agreement, although there are significant doubts about whether banks will provide new loans.

Substantial failure to attract new money, needed to fund an expected financing gap in 1989 and 1990, and to receive meaningful debt-relief before September 12, when the final term-sheet is due out, will vitiate the whole deal, he said.

## Japan to investigate boat-people

JAPAN announced plans yesterday to reinvestigate boat-people already accepted as Indochinese refugees to verify that they are not Chinese nationals, and has also threatened to deport Vietnamese found to be economic refugees, Robert Thomson writes from Tokyo. The move comes as Japanese refugee officials claim to have discovered dozens of Chinese nationals posing as Vietnamese among a flood of recent arrivals of boat-people, who are automatically accepted by Japan if they are of Indochinese origin.

## US Afghan pledge

Mr Peter Tomsen, special US envoy to the Afghan resistance, pledged yesterday Washington would not break faith with the rebel government which hes been racked hy internal feuding. AP-DJ writes from Islamahsd. But en Afghan rebel leader yesterday left the government; its president accused its foreign minister of murder; and the two main rebel groups are at war with eech other in northern Afghanistan.

# Chemicals plant move spells new problem for Bond

By Chris Sherwell in Sydney

THE Western Australian state government's stalled proposal to build a A$1.2bn petrochemical plant adds another unwanted problem to the list faced by Bond Corporation.

The state government wants to wind up the controversial project because, it claims, the banks have been deterred by the debts and loss of investor confidence facing Mr Alan Bond's Perth-based brewing, media and property conglomerate. Yesterday, Bond Corporation shares fell 6 cents to a five-year low of 47 cents.

The Bond group is fighting the petrochemical move because a dilution or sale of its A$225m holding, with loss of management fees and future profits, could entail a provision or write-down in its 1988-89 accounts, now being prepared.

Followers of Bond Corporation's affairs see September 30, the deadline for presentation of its accounts, as D-Day for the group. Analysts will study the figures to make a proper assessment of the group's solvency. Apart from the petrochemical plant, their interest is focused on:

● A proposal to sell its brewing assets – including the Swan and Castlemaine XXXX brands – to the 58 per cent-owned Bell Resources for A$3.5bn. The group has already received A$1.2bn from Bell Resources as a "deposit", irritating Mr John Spalvins, head of the Adelaide Steamship group, which has 20 per cent of Bell Resources.

The plan sprang from Bond's acquisition of the cash-rich Bell companies from Mr Robert Holmes à Court in 1988. But it has raised questions about Bell Resources' A$1.2bn "deposit" and the overall A$3.5bn value put on the brewing assets.

Some analysts think A$3.5bn is too high, given a loss of market share in the US by Bond's Heileman brewing group and in Australia by its domestic brewing interests. The deposit has already been used to pay off Bond creditors or fund other Bond investments, which means Mr Spalvins may have to resort to the courts to reverse it. Few believe the brewing assets plan will go ahead, so another proposal may have to be devised, perhaps involving the sale of the Bond brewing businesses.

● A related issue concerns the Bond group's commitment to pay Western Australia's State Government Insurance Commission A$170m for its 20 per cent stake in Bell Group – the same price Bond Corporation paid for an initial 20 per cent stake before it was obliged to make a full bid. But with a recent slide in Bell Group shares – down 13 cents yesterday to 57 cents – the holding is now worth a fraction of this.

● As important to the Bond balance sheet is the value of TV licences in the Channel Nine network controlled by Bond Media. The Australian Broadcasting Tribunal earlier this year found Mr Bond not a "fit and proper person" to hold the licences, which could force a sale at less than half the A$1bn he paid Mr Kerry Packer in 1988.

Scarcely a week goes by without some fresh development in the Bond puzzle. The group's bankers, with loans to Bond running to billions of dollars, seem to want an orderly liquidation without procuring it formally. The ensuing weeks will show if they get it.

# Shocks reverberate through three Australian states

**The current upheavals must be unprecedented for scale, intrigue and cost, writes Chris Sherwell**

WHEN it comes to politics and power, Australia's states have rarely been a picture of virtue. But the upheavals and controversy now rocking the governments of Western Australia, Queensland and Victoria must be unprecedented for their scale, intrigue and cost.

In Western Australia, sometimes dubbed "the state of excitement", Premier Peter Dowding's Labor Government has fallen out with Mr Alan Bond, the state's most powerful businessman, a few months after Mr Bond publicly backed Mr Dowding's re-election.

In the state parliament this week, Mr Dowding accused the Bond group of threatening to bring down his government by pushing the opposition Liberal party to vote against government funding. Mr Bond has denied the allegations, but the affair has highlighted the government's troubles over its business dealings.

Previously, these have focused on the collapsed Rothwells finance house and various other business failures. But the current problem concerns a proposed A$1.2bn petrochemical plant. The government wants to wind up the project because banks will not lend under the current arrangement, in which the Bond group has 49.9 per cent and the government 43.75 per cent. Mr Bond is objecting.

The unstarted project is controversial because Mr Laurie Connell, former head of Rothwells – who faces four charges concerning the company's annual reports – and his partner were paid A$400m for the proposal, with A$175m coming from the government and A$225m from the Bond group. Mr Connell used his A$350m share to repay loans from Rothwells, and some went back to Bond. Mr Connell denies the charges.

Bond: denied allegation

Unless the project goes ahead, the government stands to lose its money, and suffer embarrassment. The Bond group is seeking compensation for what it would lose if it bowed out. But it is the allegations of the Bond group's political pressure on the government which have set the state alight. With accusations still being freely traded yesterday, there is no sign of an early end.

In Queensland, Premier Mike Ahern, who leads a National Party government, this week fought off a challenge from three of his Cabinet ministers who suddenly resigned, protesting at a lack of direction.

The timing was astonishing: the state is due to go to the polls before the end of the year, and the National Party is having trouble keeping electoral support. The underlying issue is corruption, exposed by the long-running Fitzgerald inquiry. During the 20 years until December 1987, politicians are said to have received dubious contributions and non-repayable loans from businessmen, abused their expenses and presided over systematic police bribery.

At its root, according to Mr Tony Fitzgerald, is a "gerrymandered" zonal electoral system biased in favour of the rural heartland which has kept the Nationals in power for more than 30 years. He recommended a re-drawing of the boundaries – and Mr Ahern accepted Mr Fitzgerald's findings "lock, stock and barrel."

The latest trouble began when Mr Ahern called a referendum asking for an extra six months in power to give a commission time to re-draw the boundaries. Mr Fitzgerald, retained as a consultant on the demarcation plan, suddenly resigned earlier this month. This week, after the failed challenge against him, Mr Ahern called off the referendum.

The result is that the state will go to the polls on the old boundaries hut with the Nationals bitterly divided. An impression of disorder in government is overwhelming, and it is being exploited by the opposition Labor party and the Liberal party, which in Queensland (unlike other states), has no coalition arrangement with the Nationals.

In Victoria, Premier John Cain's Labor government has become enmeshed in financial scandals which have emerged since the party won re-election last September. The list has prompted one magazine to call Victoria "the state of insolvency", and suggests financial mismanagement on a remarkable scale.

The most celebrated casualty is the Victorian Economic Development Corporation (VEDC), a state government entity which made a string of disastrous loans and underwritings, and ended up losing an estimated A$111m. Last October, the VEDC was scrapped and absorbed by the state's Rural Finance Corporation.

Other state entities to show losses are the State Bank of Victoria and its merchant banking arm Tricontinental. The size of the losses is still to be announced, but in May the State Bank was forced to absorb Tricontinental, and later close it.

Also, there is the demise of the Victorian Investment Corporation, a government equity investment vehicle, which showed losses of A$10m, and public scepticism over the Victorian Equity Trust, which raised A$500m last year to "invest" in debt-ridden state entities but has never traded above the par A$1 value of its units.

It has emerged that WorkCare, the government's compensation scheme for employees who suffer accidents at work, has unfunded liabilities of some A$5bn. Government reform proposals have precipitated a series of strikes led by Victoria's militant union movement.

Finally, there has been the political row over the Victorian division of the National Safety Council, a non-governmental search and rescue organisation, whose chief suddenly disappeared leaving it with A$240m owing to 45 banks.

Australian government-watchers say they are no longer surprised at such costly events, and point out that other states – particularly New South Wales – have experienced equally colourful phases in their history.

But such developments – in a country with one federal government, six state governments, two territorial governments and just 16.5m people – are a stark reminder that Australia is not only badly over-governed, hut over-governed badly.

# S Korean party chief fired by president

By Maggie Ford in Seoul

PRESIDENT Roh Tae Woo of South Korea has moved to stem a factional dispute within his ruling Democratic Justice Party by sacking its secretary general and reshuffling two other top posts.

Mr Lee Jong Chan, a popular member of parliament known as the "opposition voice" within the party, had sparked controversy by demanding that party posts be filled by election, and that the DJP should operate on democratic lines. He was sacked from his post as secretary general while on regional trip.

He had clashed with Mr Park Jun Kyu, the party chairman, who is a leading figure in the "T-K faction", referring to people who come from the Taegu and Kyongsang area in the south east of the country. The last three of South Korea's rulers, all military men, come from that region.

President Roh appointed two new party officials who do not belong to the TK faction, and said that factionalism, whether based on home towns, kinships or schools, should be eliminated.

Mr Lee Han Dong, formerly the Home Minister, returns to the key party position of floor leader, responsible for negotiations with the opposition in the National Assembly, where the ruling party does not have a majority. A new session opens this month in which serious battles are expected over the resolution of problems caused by the previous regime.

Although two of the three new appointments are conservatives, the reshuffle does not apparently seriously change the party's complexion.

Mr Lee Jong Chan who is regarded as a possible presidential contender in 1992, may gain popularity if his treatment is seen as unfair. He is unlikely in any case to disappear from the public eye.

# Beirutis empty the city as hope fades for an end to slaughter

By Lara Marlowe in West Beirut

MOST of Beirut's last residents took advantage of a lull in the gunfire in mid-August prompted hy a UN ceasefire call to flee the city.

Yesterday, the Syrians moved more heavy armour and new artillery to the outskirts of Beirut.

Artillery hattles spread as far as Chtaura in the eastern Beka'a Valley and to the Kesrouan Mountains of the Christian enclave.

Every diplomatic mission in Beirut – and many of Lebanon's leaders – have expressed their conviction that tbe solution to the present crisis must be political, not military.

But resumption of widespread, random shelling over the past two days – despite intense diplomatic efforts by France and the Soviet Union – has proved the refugees right. Four more people have been killed in the artillery battles of the past two days and 41 others wounded, hringing the death toll in more than five months near 800.

Beirutis are once again witnessing a crescendo of violence as Syria and its Lebanese militia allies step up pressure on the Christian military leader, Major-General Michel Aoun.

On behalf of the "national front" formed in Damascus to fight Gen Aoun, Mr Nahih Berri, the Shia Moslem leader, said earlier this week that no political solution yet envisaged could resolve the conflict.

Mr Walid Jumblatt, the Druze leader, seemed to echo the position of Damascus when he announced that a ceasefire in Lebanon would be useless unless linked to the departure of Gen Aoun and the withdrawal of the French fleet. There was no way to reach a compromise with Gen Aoun, be said.

Sheikh Said Shabban, the fundamentalist Sunni Moslem leader from Tripoli, and a member of the "national front", added a frightening note to the crisis by advocating abduction of those related to states that recognise Israel. He named Presidents Bush and Mitterrand and Pope John-Paul as targets for kidnapping.

Even Gen Aoun, who had made more conciliatory statements in the presence of foreign envoys, appeared to be steeling himself for the days to come. "We are ready for a battle of steadfastness until the end," he said.

Mr François Scheer, the French special envoy who has been trying to secure a ceasefire, has managed to convince most of his Moslem interlocutors that France would not intervene militarily on behalf of Gen Aoun's forces. Gen Aoun, however, has reverted to his earlier practice of implying that the French navy is at his disposal. Mr Scheer left Beirut yesterday for Sandi Arabia, a memher of an Arab League mediation committee on Lebanon.

The presence of French warships in the eastern Mediterranean will probably deter Syria and its allies from making another incursion into Christian territory, but France and other external powers seem powerless to prevent renewed bombardments.

The only hope among Moslem leaders seems to be that Christian and Moslem elements might reach some agreement which would exclude Gen Aoun.

Pro-Syrian gunners fire into Christian positions yesterday

# EC announces Ecu8.6m aid for Lebanon

By Tim Dickson in Brussels

THE European Community yesterday announced an emergency package of Ecn8.6m (£5.8m) to relieve suffering in the Lebanon.

The decision to send Ecu5.3m in food aid and Ecu3.3m for medical needs, tents, pumps and generators followed a meeting of the European Commission and national experts in Brussels last night.

The group analysed the report of a mission sent by France in its capacity as President of the EC Council of Ministers, and heard Brussels had been asked to support projects being put together by international organisations such as the Red Cross and the UN Disaster Relief Office.

The EC mission's report stressed important short-term needs, such as water and electricity supplies, and highlighted priorities for action and resources once reconstruction in the Lebanon begins.

A further meeting will be convened in two weeks to consider longer-term needs. Italy and Luxembourg are separately providing Ecu4.23m in emergency support.

# Peking rejects Amnesty claims of abuses

By Peter Ellingsen in Peking

PEKING has rejected an Amnesty International report alleging human rights abuses in China. According to senior Foreign Ministry official, Li Jiazhong, tha report, documenting widescale repression following pro-democracy protests earlier this year, is "entirely unfounded and unreasonable".

He said no nation or group had the right to interfere in China's internal affairs, and claimed that, as therewas no political persecution in China, questions ahout political prisoners were "irrelevant".

Amnesty International estimated at least 1,000 people died in Peking when the army stormed democracy demonstrators on June 3-4. Many have been executed for taking part in what authorities say was "counterrevolution", with thousands more detained and jailed, tortured or banished to the country. Closely follnwing the official line, Li said an extremely small number of people had used "terrorist means" in an attempt to nverthrow the Government.

# Twenty years of Gadaffi marked with whiff of freedom

**Victor Mallet reports on how the Libyan leader has given his people a taste of the better life**

TWENTY years ago today e yonng Libyan army captain hy the name of Muammer Gadaffi overthrew King Idris in a coup d'etat. "Your armed forces have toppled the reactionary and rotten regime whose stench has sickened and horrified ns all," the 27-year-old officer said in a dawn radio broadcast In the name of the Revolutionary Command Council.

He went on that morning to reassnre foreign countries of the revolutionaries' respect for international law, and insisted that the coup was a purely internal affair.

It was not to he. For two decades the Lihyan leader has successively antagonised all his Arab neighbours and much of tbe rest of the international community with an unstable mixture of revolutionary Arab nationalism, unortbodox Islamic fervour, and oil money.

Colonel Gedaffi – rapidly promoted after the coup – is a Nasserite, hut Nasser's advisers were appalled by his naïvete, and Anwar Sadet, who succeed Nasser as President of Egypt, assumed he was mad. Many in the West think so too, and revile him for having supported extremist groups linked to terrorism and for having condoned tbe assassination of Libyan dissidents abroad.

Col Gadaffi, however, is likely to be in a confident mood today as he celebrates

Gadaffi: made peace

the 20th anniversary of the revolution in his freshly scruhbed and painted capital. He expects to be surrounded hy North African leaders and assorted Western, East hloc and Asian government officials and parliamentarians – as well as the more predictable collection of Palestinian splinter groups, Malian trade unionists, Nicaraguan politicians and disaffected American Indians.

The colonel's newfound international respectablity, like his increased popularity at home, is not the fruit of revolutionary successes. Rather it is the reward for his decision to ahandon much of his ideological baggage and return to more conventional economic and foreign policies over the past 18 months.

Lihyans and foreign diplomats are watching cautiously to see whether the quixotic Col Gadaffi will stick to his new and relatively moderate path, hut they welcome the advances that have already been made. "The Libyans are not the pariahs of the international arena any more," says one European diplomat in Tripoli. "But whether that means they are ready to act in such a way as to prevent tensions in the future is another question."

After a long series of failed mergers with varions neighbours, Col Gadaffi has made peace with his Maghreh partners – Tunisla, Algeria and Morocco – and hegun a rapprocbement with Egypt. They all share similar concerns about access to the European market after 1992, while Lybia may hope to benefit from closer ties to moderate Arab states which are well regarded in the West.

Western diplomats also believe that Libya is converting the Rahts plant near Tripoli, suspected of being designed to mske chemical weapons, into a genuine pharmaceutical plant, or et least that the authorities are sufficiently embarrassed by international outrage to try to hide the evidence.

The US and Britain remain deeply suspicious of Col Gadaffi, hut southern European countries are anxious to soften European Community sanctions and increase their exports to Libya.

It is said of Col Gadaffi that his inability to understand the international climate is matched only by his astuteness in gauging the mood of his own people. His change of heart may therefore have had as much to do with domestic discontent over economic hardship and the human and financial cost of the war with Chad as with his fear of diplomatic isolation or further American attacks after the US bombing raids of April 1986.

In his own inimitable way Col Gadaffi personally released Libyan prisoners and opened the border with Tunisia by using e bulldozer to demolish a prison wall on one occasion and a border post on another.

He allowed small private shops to open instead of forcing people to trek to state hypermarkets with empty shelves. He allowed the import of thousands of new cars after a long freeze on the sale of new vehicles. He reined in the feared and unpredictable revolutionary committees. Defeated, be made peace with Chad.

Residents of Tripoli say the effects of liberalisation have been substantial. Libyans are delighted that they can travel freely without exit visas. There are fewer road blocks. And the country's 4m citizens now walk and talk somewhat more freely in the streets, buying bananas and soft drinks as they go.

For a country with so much oil and so few people, Libya's economic development has not been particularly impressive. Oll revenues paid for roads, schools and hospitals, but billions of dollars were wasted on excessive defence spending and over-ambitious agricultural projects.

Even now Lybia is spending an estimated 30 per cent of its budget on defence, and debts to the Soviet Union for weapons purchases are said to be of the order of $5bn. Diplomats question the value ofthe $6bn steel complex at Misurata and the even more costly Great Man-Made River project to bring underground water from the desert to the coast.

In some ways Col Gadaffi was a conventional post-colonial Third World leader, nationalising foreign companies and encouraging a personality cult. Domestic development took second place to international ambitions.

But he went further than many of his fellow rulers. He developed a homespun egalitarian philosophy enshrined in the Green Book in the 1970s, and insisted that it was "the final solution to the problem of the instrument of governing". He banned Roman script in favour of Arabic and changed the names of the months, thus managing to offend both Christians and Moslems.

With most private commerce nutlawed by the early 1980s, the middle class and the intelligentsia were crushed, and trading families driven into exile. "It's not a festival, it's a funeral," says one former husinessman in Tripoli, referring bitterly to the 20th anniversary celebrations. "In 20 years I haven't read a decent Libyan newspaper or been able to say what I want."

For the time being Col Gadaffi has regained popularity by moving consumer needs to the top of his list of priorities, but the legacy of his 20 years at the top remains uncertain. Policy making and careful economic planning are virtually absent, with Col Gadaffi himself and numerous committees – rather than more formal command structures – in control of events.

Even the liberalisation measures have brought their own problems. Corruption is on the rise and the perpetrators are less frightened of being caught. With the Libyan dinar three times overvalued, the hlack market in goods and currency is thriving following the opening of the Tunisian border.

Col gadaffi, having given the Libyan people a taste of the better life, may find it difficult to take it away again.

# Chad and Libya to submit dispute to arbitration

By Victor Mallet in Tripoli

LIBYA AND Chad agreed in Algiers yesterday to put a stop to their 16-year conflict by submitting their border dispute toarhitration hy the International Court of Justice in The Hague if they cannot reach agreement on their own within a year.

The Libyan and Chadian foreign ministers also agreed to exchange prisoners-of-war and end media attacks on each other.

"The agreement deals with the concerns of the twn countries to find a peaceful solntion by political means during a specified period, then recourse tn international arbitratinn," Mr Jadallah Azzouz al-Talhi, the Libyan Foreign Minister, was quoted as saying hy Renters in Algiers.

It was not immediately clear whether yesterday's accord provided for the continned presence of Libyan troops in the disputed Aouzou strip between the two countries – tha issne which foiled attempts at an accord in July.

The agreement was reached on the eve of celebrations in the Libyan capital of Tripoli to mark the 20th anniversary of the coup d'etat which brought Col Mnammer Gadaffi to power.

Several Arab and African leaders – and officials from Eastern and Western Europe, Asia and South America – are attending the festivities. Their presence will underline Col Gadaffi's return to the international fold after yearsof isolation.

King Hassan of Morocco, on his first visit, arrived in his yacht yesterday to a noisy welcome from ships's foghorns.

The Algiers agreement follows the ceasefire of 1987 and the restoration of diplomatic relations between Tripoli and Ndjamena last year. It is likely to please France, which maintains troops in Chad, and its European allies.

It will also enhance Col Gadaffi's domestic standing. The fighting in northern Chad and the defeats at the hands of Chadian forces in 1987 were unpopular in Libya, especially when conscripts from coastal cities began to be drafted into the army. More than 1,500 Libyans are thought to be held prisoner in Chad.

Col Gadaffi has set great store by today's celebrations, andtens of millions of dollars have been spent on cleaning, repairing and painting the rundown capital and on flying in delegations from around the world. Tripoli is adorned with green flags. Huge posters and even miniature barrage-balloons depict the Lybian leader in an assortment of fashionable garb.

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## WORLD TRADE NEWS

LIBYA ANNOUNCES DECISION ON MAN-MADE RIVER SCHEME

# South Korea wins $5.3bn water project

**By Maggie Ford in Seoul**

A SOUTH KOREAN company, Dong Ah Construction, has won the $5.3bn contract for the second phase of an ambitious irrigation scheme in Libya. It is believed to be one of the world's largest civil engineering contracts.

Dong Ah won the contract for the $3.3bn first phase of the "Great Man-Made River Project" and this success made it a favourite against competition from the US, Japan, West Germany, France, Britain and India to win the second phase contract, according to the Korean company.

This contract calls for the construction of a 1,100km concrete waterway, including a 15km tunnel, joining desert waterwells and water from a huge underground reservoir in central Libya to supply the capital of Tripoli with 2m tonnes of water a day. The water is also to be used mainly to create fertile farmland in desert areas near the coast.

The South Korean Construction Ministry said yesterday it aimed to complete work on the first stage by 1991 and the second stage by 1996.

The first phase of the project, on which work started in 1984, is more than half completed. It involves 1,900km of piping to bring 2m tonnes of underground water from the central desert to Benghazi, Libya's second city.

The second phase contract also includes pumping stations, surge tanks and nearly 1,000km of road construction. Dong Ah said that Libya plans to spend a total of $27bn on all five phases of the project.

South Korean companies have won $12.5bn in Libyan construction contracts over the last 12 years, but the Phase II river project deal is by far the largest. It will boost the country's international construction industry which has suffered from a decline in orders due to the recession in the Middle East because of the decline in oil prices.

Overseas orders have been declining steadily since the peak year of 1981 when contracts worth $13.6bn were secured, dwindling to $1.7bn in 1988. The South Korean industry has however benefited from a boom in domestic construction, fuelled by a rapidly growing export oriented economy.

Several subsidiary contracts are believed likely to be awarded shortly to South Korean companies following the ceasefire in the Gulf war. The major beneficiaries are likely to be Hyundai Engineering and Construction and the Daewoo Group.

A team of South Korean engineers is presently visiting Iran to look into the possibility of taking over the reconstruction of a major petrochemical plant at Bandar Khomeini.

The project started by Mitsui of Japan, and 85 per cent completed by 1984, was badly damaged during the war and Mitsui have indicated that they wish to pull out of the joint venture.

South Korea recently upgraded diplomatic relations with Iran and is hoping to win a number of contracts involving post-war reconstruction. Companies remain concerned however about financing in the Middle East, where they have been forced to accept delayed payments, especially on Iraqi projects.

# Finnish timber group renews effort to break oil monopoly

**By Enrique Tessieri in Helsinki**

THE FINNISH forest industry is seeking permission from the government to import heavy fuel oil from the West. If granted this would break the monopoly over oil imports to Finland held by Neste, the state-owned oil company and Suomen Petrooli, the Finnish subsidiary of the Soviet Union's state oil company.

Osuuskunta Tuontioelly, a company owned by one of Finland's leading timber companies, is attempting to get permission to import a 20,000 tonne consignment of fuel oil through a "large Swiss trading" company. OT tried without luck in 1981 to break Neste's hold on foreign oil imports.

"We could purchase heavy fuel oil 10 to 20 per cent cheaper if we imported it directly from the West," says Mr Pentti Sierilae, OT general manager and director of the Central Association of Finnish Forest Industries (Caffi).

The average price of imported heavy fuel oil is estimated at around FM457($86) a tonne while forest industries pay around FM640, according to Caffi. Neste refines around 2m tonnes annually.

Because of price secrecy, it is not known at what exact price Neste or SP are importing Soviet oil. However, many believe prices are regulated by pricing formulas whose purpose is to deter rapid fluctuations that would affect Finnish-Soviet trade.

A new deregulation law came into force last October. This new law has had no affect on Neste and SP's hold on oil imports because of the paramount importance of oil in Finnish-Soviet trade.

The deregulation law, however, gave Teollisuuden Voimansiirto (TVS), a recently founded company owned by four privately-owned utility companies and Nokia, permission from the Government to import 100MW of Soviet electricity during 1990-92 and from then on, until 2004, 300 MW per year.

Before TVS, state-owned utility Imatran Voima was the only company which could import electricity to Finland.

Around 90 per cent of barter imports from the USSR to Finland is energy, around 60 per cent of this comes in the form of oil. Last year, Neste imported around 8.5m tonnes of oil from the USSR.

# EC brightens outlook for lamppost manufacturers

**By Tim Dickson in Brussels**

THE European Commission has brightened the outlook for Europe's lamppost manufacturers by forcing the Spanish Government to lift a key trade restriction.

The action follows a complaint from a French company, which pointed out that when it had attempted to tender for the supply of lampposts for a Spanish motorway it had been rebuffed.

It had been informed its product did not conform to local technical requirements.

The French company and most of its European competitors comply with a European norm (EN 40) which is only slightly different in its specifications for the support part of the lighting product.

The Commission stepped in to the dispute by invoking Article 30 of the Treaty of Rome – which guarantees the free circulation of goods – and asked the Madrid Government to amend its regulations.

This has now been done and the relevant texts approved by the Brussels authorities.

In future, lampposts from other member states will be allowed into Spain if they conform to the European standard or to national standards with safety requirements at least as tough as Spain's.

A Commission spokesman stressed that the new Spanish law recognises the mutual recognition principle – in other words, manufacturers can prove their case by producing a letter of conformity from a competent standards certification body in their own member state.



# Anti-dumping moves raise fears of Fortress Europe

**Michael Marray** on why Hong Kong industrialists feel they receive a raw deal from Brussels

THREATENED BY a spate of anti-dumping actions mounted by the European Community, Hong Kong manufacturers are forming a committee on anti-dumping proceedings.

It will defend the territory against what many local industrialists suspect represents the beginning of a new wave of protectionism from Europe as it moves towards 1992 and its own single market.

Up to a few years ago, the only EC anti-dumping action on record against Hong Kong was a 1979 investigation involving mechanical alarm clocks, where no evidence of dumping was found.

The picture changed in December 1987 with a move against video cassette tapes, later leading to the imposition of definitive duties of up to 21.9 per cent.

That was followed in 1988 by actions against small-screen colour televisions, photo albums, and mobile telephones, though the latter has since been discontinued.

The first quarter of this year added another four items to the list, including silicon metal and tungsten ores from China – where Hong Kong trading companies were named because of their re-export roles – audio tapes, and finally denim cloth.

Local manufacturers are alarmed by the trend, and have protested that, given Hong Kong's laissez-faire economic environment, dumping in the classical sense of subsidising low cost exports with profits from selling high at home is impossible in Hong Kong given its own tiny market.

"Hong Kong businessmen are known to be short-term oriented, and our industries are trying to pass on the message that Hong Kong is a centre of free trade and our companies do manufacturing for a profit," said Mr Victor Lo, managing director of electrical goods manufacturer Gold Peak Industries. He is also one of the vice chairmen of the new committee, which also includes the Chinese Manufacturers Association, Hong Kong Electronics Association and the Textile Council of Hong Kong.

Mr Lo sees the role of the committee as aiding Hong Kong's vulnerable small and medium sized businesses – which may not bother to hire a lawyer – with legal advice and possibly help with the costs involved in the highly complex investigations carried out by the European Commission.

Under dumping investigations, companies which sell more than 5 per cent of a particular product in their home market have a domestic price investigated which is then

**Manufacturers in the United States may follow Europe**

compared to the price charged in the overseas market. This rarely applies to any Hong Kong manufacturer, which means the European Commission has the more complex task of deciding on a constructed price to determine the normal value of goods.

Hong Kong manufacturers complain that production costs are likely to be grossly overstated and an arbitrary profit margin added on during these investigations, resulting in an artificially high constructed price. Anti-dumping duties are added to the sale price in Europe to make up the supposed difference.

Other shortcomings in the system include the 21.9 per cent anti-dumping duty for video cassette tapes – which applies to all new video tape manufacturers who wish to export to Europe – affecting, for example, a small company called Hanny Magnetics, whose exports of tapes to the EC during the 1987 reference year amounted to a mere 30,000 units out of Hong Kong's total exports of around 30m units.

The electronics industry is not alone to facing the threat, as shown by the investigation announced in March against imports of denim cloth from Hong Kong – an item already restrained by quota limits within the Multi-Fibre Arrangement. "I have never heard of an anti-dumping action on an item restricted by textile quota," commented Mr James Tien, managing director of Manhattan Garments and also a vice-chairman of the committee on anti-dumping proceedings. "Even if we give it away we cannot go over the quota limit."

Mr Tien sees a more protectionist attitude in Brussels behind the investigations, rather than it being simply a result of more complaints lodged by European industry, which in the case of denim came from companies in France and Italy – both tiny markets for Hong Kong denim exports.

Despite the reassurances of European leaders he believes the single market – due to come into force by 1993 – will bring with it a "fortress Europe" mentality, and hurt export-led economies such as Hong Kong. There are also fears that manufacturers in the United States may follow Europe's lead in using the anti-dumping weapon to fight imported goods, reinforced by recent statements from the New York-based National Knitwear and Sportswear Association that it intends to include Hong Kong in a complaint involving the dumping of acrylic garments.

The Hong Kong government is responding to the threat to its export industries with a campaign in Geneva at the General Agreement on Tariffs and Trade (Gatt) for changes to the Gatt anti-dumping code, and has started informal discussions with the EC under Gatt on the outcome of the video tape action.

"The proceedings are very worrying," said Mrs Regina Ip, Hong Kong's Assistant Director-General of Trade.

# Kinno orange draws US fruit juice maker to Pakistan

**By Christina Lamb**

CARGILL, one of the world's largest privately owned companies, has been given the go ahead to put up Pakistan's first fruit juice concentrate plant, after four years of negotiating.

The plant is due to start operating in October 1990 in Sargodha, Pakistan's main citrus area, and will produce frozen orange juice concentrate, particularly for use as a natural colouring agent.

The plant will be solely owned by the US agro-based company and all the machinery will be imported.

At present orange juice concentrate is made in only two places - Florida and Brazil. After extensive research Cargill chose Pakistan as a third venue because of the amount of citrus going to waste and the type of orange grown.

Pakistan is the world's major producer of kinno - a satsuma type orange developed in the University of California in the 1930's.

For concentrate manufacturers, the most important thing about kinno is its taste, high vitamin C content and colour. Says Mr Amir Farooqi, Cargill's Country Controller in Pakistan, "it has the rich orange colour of Fanta which up to now is generally produced by artificial additives".

There is little fruit processing in Pakistan where, at present, 40% of horticultural produce rots due to lack of storage and transport. The government is offering incentives such as eight year tax holidays and duty free import of machinery.

Cargill feels Pakistan's own market, though large with a population of 110m, is not yet quality conscious enough, so to start with the concentrate will all be frozen and exported to Amsterdam, where Cargill's blending tanks, sales and distribution force are based. Initially the main target will be to use the product for blending and colouring.

Cargill believes the West and Japan will be willing to pay the extra cost to have natural rather than synthetic colouring agents.

Cargill is using Brazil where it has two factories producing 100,000 tonnes of concentrate a year as a model for the Pakistan project. With the help of the US government, it is taking a group of farmers from Sargodha to Brazil to see how to improve growing techniques. There is an astronomical difference in yield - Sargodha farmers produce 9 tonnes of oranges per hectare compared to 40 tonnes in Brazil. Mr Farooqi believes Sargodha's production can be much improved simply by effective use of fertiliser.

The Cargill factory will initially produce 5,000 tonnes of orange concentrate per year, but it is hoped to double this quickly by reinvesting profits and increasing the yield and season, presently only four months.

Cargill, the seventh largest corporation in the US with a yearly turnover of more than $43bn, moved into Pakistan in the early 1980's having bought the British company, Ralli Bros, which was involved in cotton trading. It is now one of the largest traders in South East Asia for cotton out of Pakistan.

## EC launches study of trade obstacles

**By David Lascelles, Banking Editor**

A STUDY of the obstacles to trade in services faced by Community companies in third countries has been launched by the European Commission.

The study was initiated by the directorate general in charge of external relations, and is being compiled by Ernst & Young, the accountancy firm.

The exercise will concentrate on 17 service sectors in all non-EC members of the General Agreement on Tariffs and Trade (Gatt).

This will entail abont 40 countries.

According to Mr Malcolm Levitt of Ernst & Young who will be in charge of the work, it will seek to catalogue obstacles relating to the starting up and operation of businesses in the countries under study.

However, he stressed the study will be as objective as possible. "We do not start out with any pre-set biases," he said.

Although the study is being conducted in the context of Uruguay Round of the Gatt negotiations, it is also relevant to the formulation of the EC's foreign trade policy and the current debate about reciprocity.

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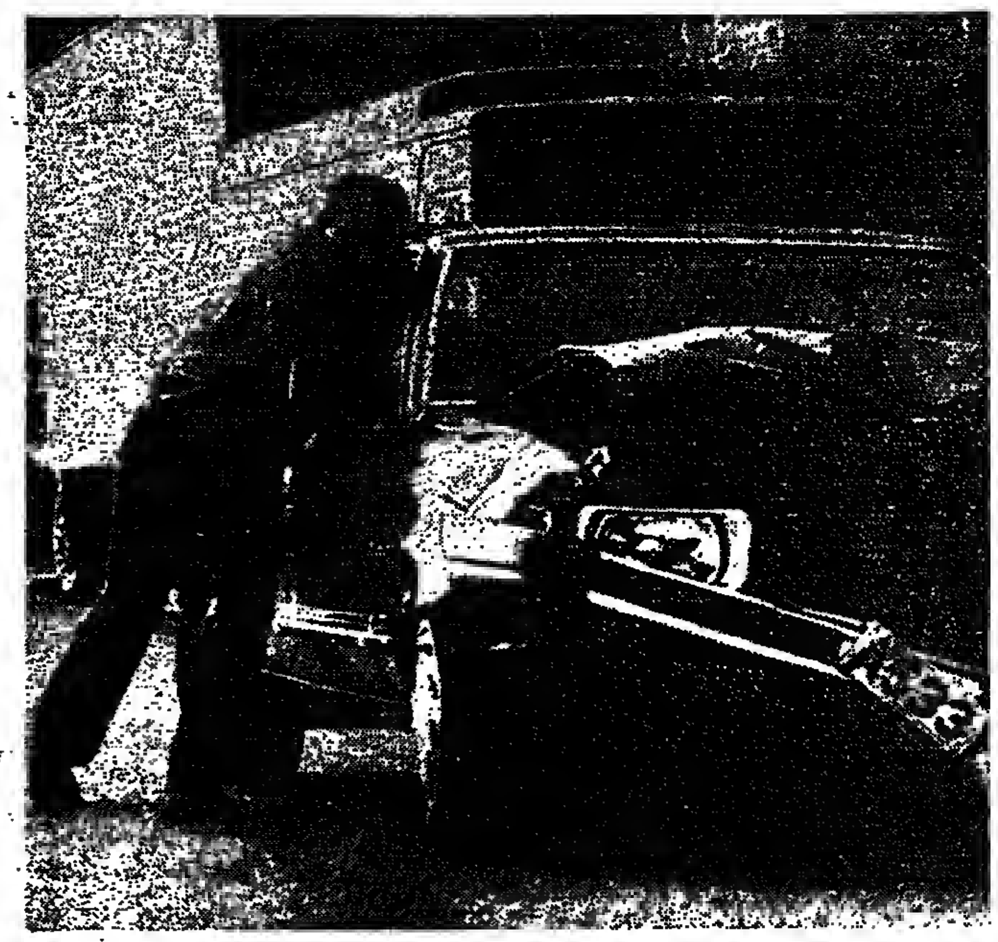

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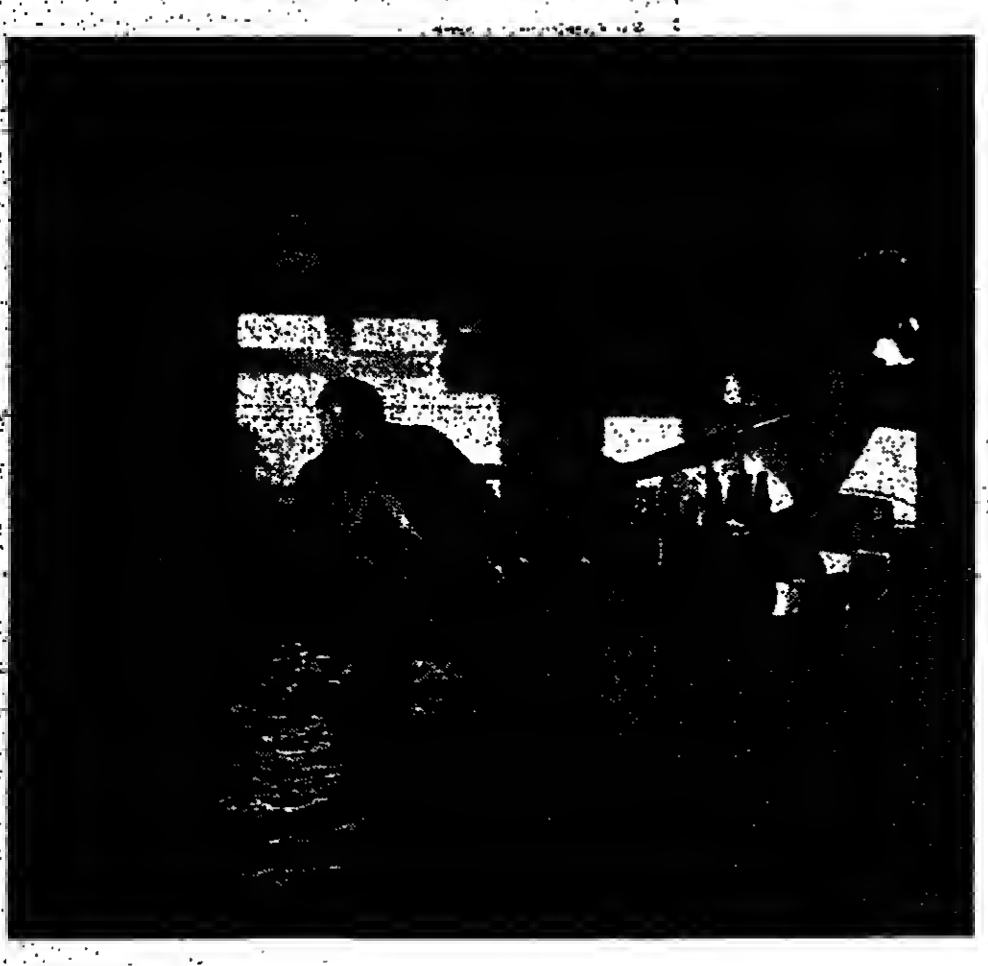

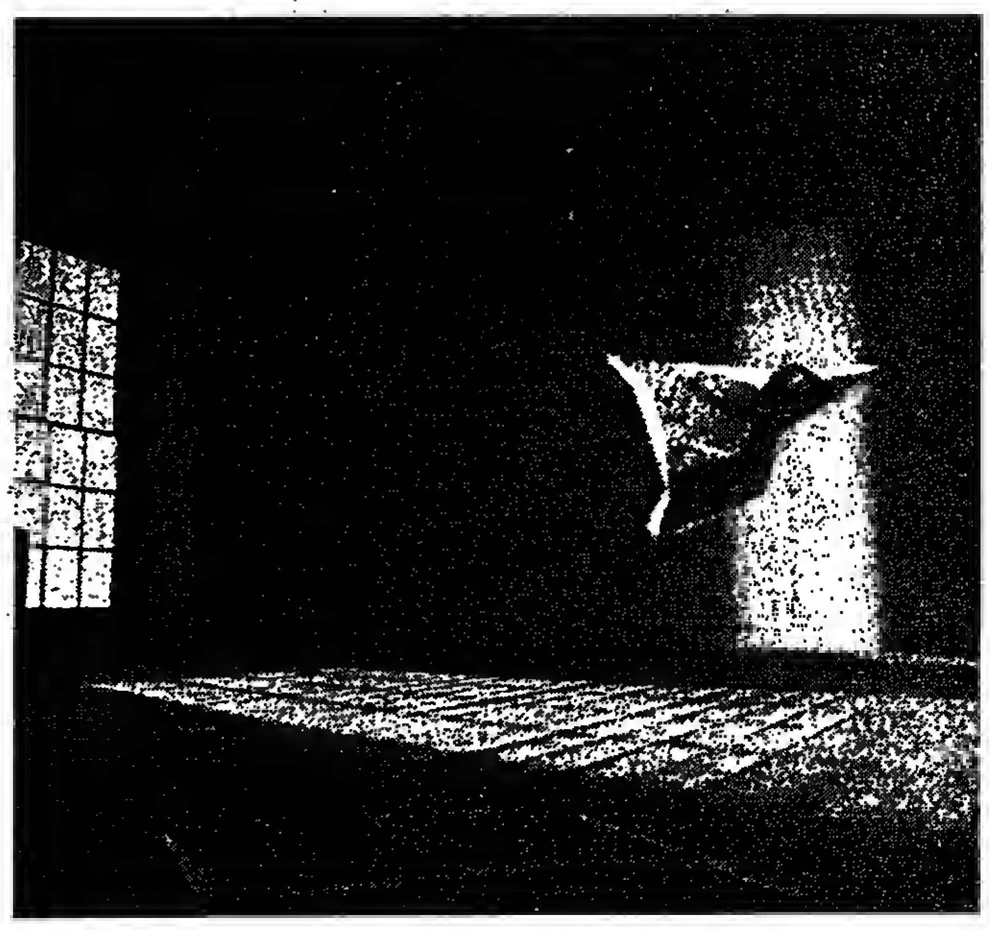

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UK NEWS

# Thatcher's new team runs out of holidays

**Philip Stephens on the cabinet issues and the people who will have to face them**

MRS MARGARET Thatcher's new ministerial team will assemble in Whitehall next week brimming with post-holiday enthusiasm - but with markedly less confidence in the prospect of any immediate recovery in the Government's popular fortunes.

The opposition Labour Party's lead in the opinion polls and the lingering shadow cast over July's extensive cabinet shake-up by Sir Geoffrey Howe's forced departure from the Foreign Office hardly provide an auspicious start.

The economy's ills - underlined again by recent signs that output, employment and investment will pay a heavier price for lower inflation than many Conservative MPs have yet realised - will not be cured overnight. Mortgage rates, the most politically sensitive of all economic indicators, look more likely to rise again in coming months than to fall.

The introduction next year of the poll tax appears for the moment at least to be worrying Tory MPs as much as their constituents, while the medical professions' latest campaign against planned health service reforms is expected to prove more effective than ministers care publicly to admit.

For Mrs Thatcher, the immediate aim will be to ensure that the Conservative conference next month underpins her claim both to be sticking to her fundamental policies and responding to the concerns of the voters. As one Conservative MP put it this week, the Government has to be seen to be "both resolute and responsive."

That means shaking off the reactive, defensive stance into which the Government has been driven for much of this year by newly-confident Labour and a repackaging of many of its policies to give them a less strident image.

Mr Kenneth Baker, the new party chairman, will probably be looking to the strong recovery in the party's popular fortunes after the 1986 conference - followed by the election triumph of 1987 - as his model. He can take some heart from one recent opinion poll showing that if Labour's standing remains strong, the Conservatives have in recent weeks narrowed the gap.

Mr Chris Patten, the new Environment Minister, is said to be determined to shake off the image of a reluctant and miserly commitment to "greenery" left by his predecessor. According to friends he will act rather than react.

Undeterred by the problems now facing electricity privatisation, Mr Cecil Parkinson has let it be known that his first significant act as Transport Minister will be to give a firm commitment to sell off British Rail.

From the Foreign Office, Mr John Major is expected to offer reassurance that the Government's opposition to many of the more radical federalist policies emanating from Brussels does not signal that the Conservatives will abandon their claim to be the "party of Europe".

The smooth Mr Baker will ensure that it is all done with the maximum amount of glitz and media attention.

His problem - and that of the Government - is that the issues behind the slump in support for the Government have not gone away. High interest rates, reform of the health service, the poll tax, water and electricity privatisation, transport bottlenecks and public concern over education and the environment will continue to provide the Labour opposition with plenty of ammunition.

Some of the problems can be eased by judicious use of extra cash in the public spending negotiations which get under way between spending ministers and the Treasury next week.

Mr Norman Lamont, the Chief Secretary to the Treasury, is expected to concede substantial increases in the cash budgets of departments of health, environment, transport, and education.

This year's surge in inflation, however, will weaken the Government's hand in two key respects. The risk of destabilising financial markets means that the overall public spending total will have to be kept as close as possible to existing plans, while the real value of cash increases for departmental programmes will be eroded by the higher-than-expected increases in their costs.

As one spending minister commented this week, "We will all get something but none of us will get as much as we need."

In the process, ministers will find themselves locked in a series of bruising, semi-public battles with the Treasury over the share-out of the available resources. It is regarded as inevitable that Sir Geoffrey Howe, in his new role as leader of the Commons, will have to preside over the so-called Star Chamber arbitration process to adjudicate between the competing claims.

Labour is in a strong position to exploit the opportunities - both in terms of attacking the Government and of taking advantage of a welcome breathing space to continue rehabilitating its own image.

With the centrist Democrats, led by Mr Paddy Ashdown, still in disarray and languishing hopelessly in the opinion polls, Labour's conference will be carefully designed to reinforce the perception that this year's policy review marked a decisive shift by the party to the centre.

Mr Neil Kinnock, Labour's leader, will be cast firmly in the role as the role of the leader who has finally defeated the party's extremists and given it a set of policies which look forward to the 1990s rather than backwards to the 1970s.

On the Government side no-one is yet panicking. Even the most disgruntled of Tory backbench MPs concede that getting down inflation must be the Government's first priority.

Most believe that as long as the anti-inflation strategy works, there will still be time to offer the traditional sweeteners of sharp increases in public spending and tax cuts before a general election in 1991 or 1992. That, however, will not stop them grumbling every time their own constituents complain again about the poll tax, the health service or mortgage rates.

New images: from the left, Kenneth Baker, John Major, and Geoffrey Howe

## Agreement covers 25-year life of the Bruce Field

# British Gas signs £3.5bn contract to take BP gas

By Maurice Samuelson

BP IS to spend about £1.5bn developing the largest undeveloped gas field in the UK sector of the North Sea following an agreement to sell 90 per cent of the field's output to British Gas.

At current gas prices, the sale to British Gas will be worth an estimated £3.5bn over the 25 year life of the field.

Mr John Browne, BP Exploration managing director and chief executive officer, said the deal "consolidates BP's position as the leading UK gas producer. When Bruce production peaks in 1994, BP will be providing more than 16 per cent of the country's gas."

Development of the field, due to begin next year, is expected to reach a cost of £1.5bn. Subject to approval of the Department of Energy, it will involve the construction of two bridge-linked platforms in the eastern part of the field and a third platform to be installed at a later date.

The equity owners in the field are BP (its operator), Elf, Hamilton, Total, Ultramar and Renown.

This is British Gas's first new contract for a North Sea field since the Government introduced measures last April aimed at ending its monopoly of the UK industrial gas market.

As a result, British Gas will take only 90 per cent of its output. According to Mr Browne, BP was "actively seeking an alternative industrial market for the remaining 10 per cent of Bruce production and we are confident of concluding a deal in the near future."

Some of the biggest potential buyers are thought to be private gas-fired power stations planned for the early 1990s by the future successors of the Central Electricity Generating Board.

Since July 1988, British Gas has signed a series of deals for 6 trillion (million million) cu ft However, apart from the 5 trillion cu ft in its Morecambe Bay field, the latest agreement is its biggest for offshore gas since it signed up the output of the Brent field.

At full production in 1994, the Bruce field will provide 470m cu ft a day, or 9 per cent of Britain's average demand.

It is being brought on stream to replace declining output from a number of older fields, including the large Frigg field, and some of the first fields in the southern North Sea

● UK oil production is likely to start rising again in the early 1990s to a level not far below its peak in 1985-86, according to the broker, County NatWest WoodMac. Recent discoveries and probable developments, it says, will keep the UK self-sufficient in oil until the next century.

# French buy HQ of Continental Bank in London

By Paul Cheeseright, Property Correspondent

FRESH evidence of European interest in the central London offices market emerged yesterday when Louis Dreyfus Properties of France acquired the City headquarters of Continental Bank in a sale and leaseback deal.

In another deal, Greycoat, the London property investment and development group, bought from Land Securities, the largest quoted UK property company, a 1950s office building constructed on a bomb site. It is paying £18m.

Continental Bank, based in Chicago, would not disclose the terms of its sale to Louis Dreyfus, beyond saying that it was making a net gain of $71m.

The 100,000 square feet building, near Blackfriars, was thought to have been worth over £52m.

# Tour operators head for 1m less holidays

By David Churchill, Leisure Industries Correspondent

HORIZON Holidays, the package tour subsidiary of Thomson Holidays, yesterday followed the lead of its parent company by announcing substantial cutbacks in its overseas holiday programme for summer 1990.

Horizon plans to reduce the number of holidays it plans to sell next year from the present total of just over 500,000 to slightly more than 400,000.

This 100,000 cut in capacity for next year follows Thomson's decision earlier this week to reduce next summer's package holiday capacity by 500,000.

The Horizon move is likely to be followed next week by Intasun and other leading British tour operators and will mean that about 1m fewer holidays will be offered for sale next year than in 1989.

At the same time Horizon and other tour companies are raising prices by an average of 10 per cent in a bid to improve profit margins.

The cut announced by tour operators follows a 10 per cent downturn in package holiday sales this summer as a result of consumer disenchantment with package holidays and the rise in interest and mortgage rates.

Redwing Holidays, the third largest tour operator which is 50 per cent owned by British Airways, said yesterday it also planned to cut capacity to Spain next summer because of the high value of the Spanish peseta in comparison with sterling.

But Mr Vic Fatah, Redwing's managing director, said that he planned to increase capacity to Greece and Turkey to compensate for this.

# Government appeal to Scottish businessmen

By James Buxton, Scottish Correspondent

MORE than 200 of Scotland's business leaders were yesterday invited by Mr Malcolm Rifkind, Scottish Secretary, to volunteer to create local enterprise companies and implement the Government's Scottish Enterprise scheme.

Scottish Enterprise is a project to restructure training and enterprise development in lowland Scotland. A central body named Scottish Enterprise will replace the Scottish Development Agency and take over the functions north of the border of the Training Agency.

It will operate through 12 local enterprise companies whose 12-man boards will be two thirds composed of private sector members. They will have greater powers than the training and enterprise councils (TECs) now getting under way in England and Wales, and will have budgets of between £5m and £70m.

Speaking at a hotel in Dunblane in central Scotland, Mr Rifkind said that businessmen who wished to lead the first companies should apply by mid-October outlining their proposals and qualifications.

He issued a prospectus which states that the ultimate objective of the scheme was "the creation of a dynamic self-sustaining economy in which investment and training are private sector led and financed."

But, answering questions, Mr Rifkind said that Government "would go on paying for training for a good period of time to come." But, he added, "I can't predict what the position will be in future years."

The local enterprise companies will be obliged to operate the training schemes currently run by the Training Agency, such as the Youth Training Scheme and Employment Training. Mr Ian Lang, Scottish Industry Minister, acknowledged that 70-80 per cent of the companies' budgets would go on these schemes, but said that the schemes would "evolve and take on local colour over a period of years."

# New code of practice to cover UK broadcasts

By Raymond Snoddy

BROADCASTERS will be required to implement the code of practice on matters of sex and violence, taste and decency drawn up by the Broadcasting Standards Council, according to Government proposals announced yesterday.

The tough language in the statement by Mr Douglas Hurd, the Home Secretary, goes further than anything Lord Rees-Mogg's BSC was asking for.

The Government statement says that regulatory bodies such as the BBC and the IBA "will be required to take action to implement the code, although they will also be able to give their own general advice to broadcasters."

The actually wording of the paragraph came from Downing Street. The Home Office, however, emphasised yesterday that there would be no statutory requirement to implement the detailed code now being finalised.

The obligation would be to ensure that the broadcasters' own codes of practice respected the principles of the code of the Broadcasting Standards Council.

The council was set up to monitor sex, violence, taste and decency on television and radio.

Mr John Birt, the BBC deputy director general, yesterday welcomed what he described as the constructive role the BSC could play in assessing public concern about standards. He added, however, that the BSC's commitments to freedom of expression were "insufficiently robust."

The Broadcasting Standards Council, however, would be asked to monitor programmes broadcast to the UK from abroad and would take part in the British delegation to the standing committee of the Council of Europe convention on trans-frontier television.

Lord Rees-Mogg said yesterday in a BBC radio interview: "We have been given the right powers. We wanted to have the minimum powers that we thought would be effective."

# Search is on for mystery 'M' with the golden touch

By Simon Holberton, Economics Staff

The search is on in the City for 'M'.

The quest is not for head of the security services but for a foreign exchange chartist who has been shown by a Bank of England study to beat the rest at predicting currency movements.

The man, (or could he be a she?), is only identified as 'M'. His exceptional performance was revealed after the Bank spent every Thursday over a 10 month period telephoning a select group of chartists for their currency predictions and then subjecting them to rigorous mathematical analysis.

'M' was the exception to an economist's rule of financial market behaviour that forecasters of currencies, or any other financial asset, can not predict their behaviour better than relying 90 per cent on the toss of a coin. The rest of the group, however, proved it.

The study's authors, Mrs Helen Allen, a Bank economist and Mr Mark Taylor, professor of financial markets at City University Business School, sought to determine the influence of chartists in London's foreign exchange market and whether they have any discernable influence on price movements in the market.

They said: "The panel was selected to include chartists who were highly regarded in the City both by fellow chartists and by foreign exchange dealers."

On every Thursday between June 1988 and March this year the Bank telephoned six chartists and sought their predictions on on the sterling/dollar, dollar/mark and dollar/yen rates over a one and four weeks.

Their predictions were then related to what actually took place.

Despite 'M''s forecasting accuracy, the Bank study found that over a one-week period, chartists' were about 50 per cent right in predicting the direction of currency movements; over a four-week period they were between 46 per cent and 48 per cent right.

The study found that chartists' forecasts tended to miss turning points. They underestimate the levels to which currencies will rise in a bull phase of the market, and exaggerate the extent to which they will fall in a bear market.

If chartists' currency forecasts are no better than a "random walk," the Bank study finds that they enjoy considerable popularity in the City among currency traders. The Bank received 200 responses to a questionnaire it sent to City institutions engaged in the currency markets and found that most rely on charts as a guide to day-to-day trading.

The Bank makes use of charts when planning its currency market intervention. Will 'M' come in from the cold and tell the Bank how he does it? "I doubt it," a Bank official said. "I don't expect we could pay his sort of salary."

*"Charts and Fundamentals in the Foreign Exchange Market," by Mrs H L Allen and Mr M P Taylor. Bank of England Discussion Paper, No. 40. Bank of England, Threadneedle St. London EC2R 8AH.*

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# Southern Water to link with SAUR rival

By Andrew Hill

SOUTHERN Water is to link up with SAUR Water Services, a subsidiary of French construction group Bouygues, to collect and dispose of domestic and industrial waste.

The move marks a reconciliation between Southern, which covers south eastern England, and SAUR, which were involved in a fierce battle for control of statutory water companies in Southern's region at the beginning of this year.

Southern and SAUR hope to compete for local authority contracts for waste disposal and street-cleaning. Mr Bill Courtney, Southern's chairman, said yesterday the 50-50 joint venture would combine the UK company's knowledge of the industrial market and SAUR's expertise in services.

"It will be a difficult market to break into, but anything worth achieving is difficult," said Mr Courtney yesterday.

SAUR controls three statutory water companies in Southern Water's region, including West Kent Water Company, which it won in the face of a hostile counter-bid from the authority and its partner, an Australian investment company.

SAUR's principal French competitors there include Lyonnaise des Eaux and Compagnie Générale des Eaux, both of which have set up subsidiaries or joint ventures in the UK.

Between them, SAUR, Lyonnaise and Générale control 12 of the UK's statutory water companies. The 29 companies supply 25 per cent of the population of England and Wales with water.

# Authorities turn on the hard sell

**Andrew Hill** previews the start of the great water privatisation race

FOR the last six weeks, Northumbrian Water Authority has been leasing an airship. This week, Northumbrian's blimp has been floating over London, an airborne warning to City stockbrokers, and potential investors, that the great water privatisation race is about to begin.

Today is vesting day. In previous privatisation issues, it passed almost unnoticed. But water privatisation is one of the most complex public flotations yet and today's formalities are the cue for a restructuring of the industry.

At midnight last night, the activities of the 10 water authorities were divided in two.

Responsibility for pollution control, land drainage, water management, fisheries and navigation – together with £460m of fixed assets – has transferred to the new National Rivers Authority, the environmental regulator which will be formally launched this morning. Economic regulation of the water and sewage businesses also begins today, coordinated by the new director general of water services, Mr Ian Byatt.

The core utility functions of the 10 authorities have transferred to 10 "successor companies" set up under the Companies Act.

For the next two to three months, the Government is still the ultimate owner of the industry, holding all the shares in 10 new public limited companies – Anglian Water plc, Northumbrian Water plc and so on. The PLCs in turn own all the shares in the successor companies.

**PROVISIONAL PRIVATISATION TIMETABLE**

| | |
|---|---|
| ● September 1 | Vesting Day |
| ● September 6 | Opening of share information office |
| ● November 1 | Publication of pathfinder prospectus |
| ● November 22 | IMPACT DAY (price published) |
| ● November 29 | Prospectus generally available |
| ● December 6 | Offer closes |
| ● December 12 | Basis of allocation announced and dealings commence |
| ● December 20 | Posting of documents of title |

Leaked documents from Schroders, its merchant bank, suggest the Government will offer its shares to investors on November 22. The issue is expected to raise up to £7bn.

Vesting day will herald a further deluge of advertising from an industry already heavily criticised for spending £22m on its "awareness" campaign.

Next Wednesday the water share information office in Bristol will start taking calls. It will be at the centre of the Government's efforts to persuade as many shareholders as possible to register their interest in the flotation before November publication of the 10 water PLCs' prospectuses. That effort will include offering the possibility of incentives – bonus shares, for example – to members of the public who pre-register.

Larger institutional investors will start to receive the latest wave of circulars published by analysts who follow the industry, many of them also acting as brokers for individual authorities.

The formal move to PLC status will allow those analysts an unobstructed look at the quality of senior management in the water companies.

The new water PLCs could also set up subsidiaries to manage diversification into new operations.

And what of the consumer, who expects no more than clean, cheap water on tap? The idea of a national industry with sales of £3.17bn restructuring itself in a day may sound frightening, but a background note on the events of vesting day offers some reassurance.

"Customers," it says, "do not have to take any action."

# Regulator of water industry is named

THE Office of Water Services (Ofwat), headed by Mr Ian Byatt, director general, is responsible for economic regulation of the water industry, writes Andrew Hill.

Mr Byatt must try to promote efficiency and economy, promote competition between local water monopolies and protect the consumer.

The body's official duties begin today, but the Department of the Environment has already set price limits for the water utilities over the next 10 years.

City of London analysts point out that the director general's role should provide significant safeguards for investors.

# Crickhowell to lead NRA

LORD Crickhowell – formerly Mr Nicholas Edwards, the former Secretary of State for Wales – is the new chairman of the National Rivers Authority, which will be launched this morning, writes Andrew Hill.

The NRA is the largest of the regulatory bodies set up by the Water Act and has perhaps the most sensitive task: protecting the water environment. Its establishment is designed to cure the authorities of the poacher/gamekeeper schizophrenia which has troubled them since their foundation.

From today, the NRA will be the gamekeeper, working closely with various government departments and Her Majesty's Inspectorate of Pollution, as well as with the new director general of water services.

The NRA responsibilities include control of water pollution; water resource management; fisheries; and harbours.

## In Brief

# Hungarian visit for UK defence minister

By David White, Defence Correspondent

MR TOM King is to become the first British Defence Secretary to visit the Warsaw Pact when he goes to Hungary next week for four days.

He is scheduled to meet Mr Miklos Nemeth, the Hungarian Prime Minister, and Defence Minister General Ferenc Karpati, as well as visiting tank and helicopter units.

### Foreign insurance

Lloyd's underwriters have been granted a licence by BAV, the West German insurance supervisory body based in Berlin, to carry out non-marine and aviation liability insurance business.

Lloyd's underwriters now have licences in six European Community countries.

### French pay offer

RHONE POULENC, the French state-owned chemicals group, has agreed a pay deal with staff at its Dagenham factory and Ongar research station in Essex, southern England, worth an average 11 per cent for 400 scientists and technical officers and 13 per cent for 120 technicians.

The staff carry out health care and agricultural research, development and production.

### Train plan attacked

THE announcement that British Rail's Network South East will spend £256m on new trains was attacked yesterday by Mr John Prescott, Labour's Transport spokesman, as a public relations exercise which failed to tackle the growing transport crisis in the region.

But Mr Prescott said: "BR is to be allowed to spend some of the money that it has raised from higher fares and increased overcrowding."

### NatWest opening

NATIONAL Westminster, the second largest of the big four clearing banks, is to extend opening hours at three West Midland branches to 5.30pm.

# Growth in money supply confirms interest forecasts

By Simon Holberton, Economics Staff

THE helief in the City, London's financial quarter, that UK interest rates will stay at their current high level for the remainder of the year was reinforced yesterday after the Bank of England published figures suggesting growth in M0, one of the Treasury's monetary indicators, accelerated in August.

Analysts said the annual growth in M0, which measures mostly notes and coin in circulation, during August wns 6 per cent, after allowing for seasonal variations, compared with a 5.3 per cent fall in July.

Few expect M0 growth to como within tbo Treasury's target range of 1 to 5 per cent growth before the end of the year. Most also believe M0 would havo to come bnck within this band before interest rates fall.

Mr Nigel Lawson, the Chancellor, has said that interest rates will remain high.

The rebound in M0 growth in August took analysts by surprise although some had been expecting a rise because July's level had looked abnormally low.

More worryingly for the authorities, there has been a sharp rise in the three and six-monthly rates expressed at an annual rate – possibly indicating rising annual rates in the months to come.

Analysts were unsure why M0 rose so strongly last month, but they expect it to be reflected in a bounce back in retail sales growth for August. Mr John Shepperd, economist at Warbnrg Securities, said July figures for retail sales and M0 appeared too low and may have exaggerated the trend.

Mr Glenn Davies, economist at Credit Lyonnaise Securities, said the August rise in M0 might be related to more people staying in the UK to take their holidays, therefore using more cash in public houses and hotels.

Mr Peter Spencer, economist at Shearson Lehman Hutton, said the rise reflected higher pay settlements as about 40 to 45 per cent of wage and salary earners in the UK receive their pay in cash.

Estimates for M0 growth in August are provisional – the official figures will not be released for two weeks – and are compiled using the Bank's weekly banking return. This documents the amount of notes outstanding and yesterday'a return allowed analysts to see the extent of the increase in notes in issue during August.

# Lawson to consider extra funding for poll tax safety net

By Philip Stephens, Political Editor

THE GOVERNMENT is poised to bow to the demands of its own supporters at Westminster and provide more cash to cushion the impact on Conservative voters of the new poll tax.

Mr Nigel Lawson, the Chancellor, has privately told Conservative opponents of the planned "safety net" arrangements for the poll tax or community charge, which is to be introduced in April, that the Government will be giving "careful thought" to their demands.

His promise comes amid indications in Whitehall that Mrs Margaret Thatcher, tho Prime Minister, will back n demand from Mr Chris Patten, the Environment Secretary, that the Treasury should concede additional resources during the annual public spending negotiations which are due to begin next week.

The safety net arrangements, which will operate for four years after the introduction of tho tax, provide for a transfer of resources from richer to poorer local authorities.

That will push up the poll tax bills of voters in many Conservative areas to provide subsidies to those in higher-spending Labour authorities.

Sir Rhodes Boyson MP, the leading Tory critic of the arrangements, said yesterday that to make the poll tax acceptable to backbench MPs, the Treasury would have to fund the full £530m cost next year.

The Treasury's problem is that it already faces bids from other spending departments to add billions of pounds to its existing plans for overall public spending during the financial year starting next April.

Many of those are in areas – such as health, education and transport – with comparable political sensitivity to the poll tax and reflect the impact of much higher than expected inflation on departmental budgets.

# N-company will contest court action on cancer

WRITS are due be issued today in the High Court in London allowing four families to start an action claiming that emissions from the Sellafield reprocessing plant of British Nuclear Fuels have caused leukaemia. BNFL says it will strongly contest the action.

Two of the families' children have died of cancer in the district surrounding the plant in north west England.

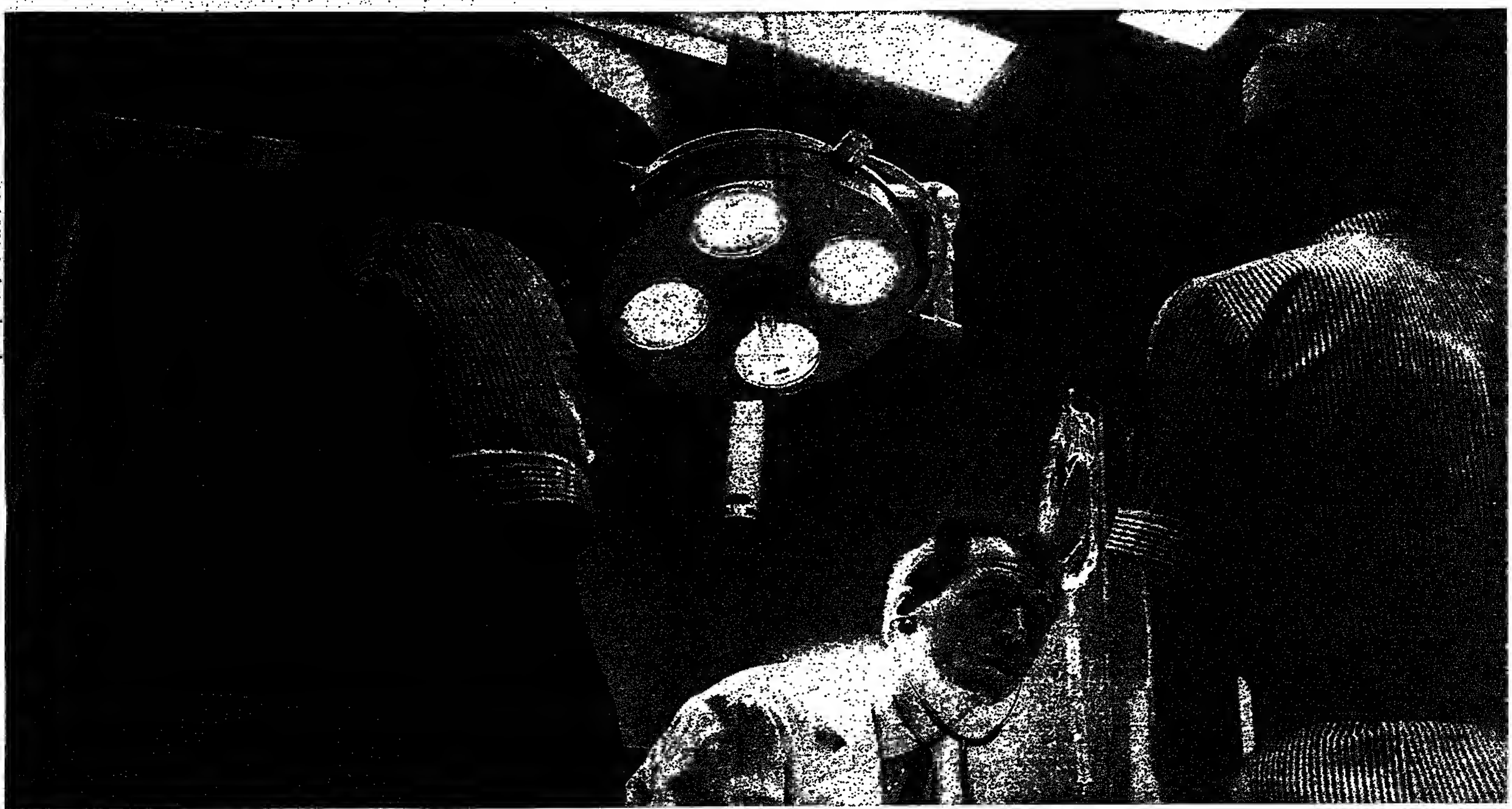
The writs will claim a breach of statutory duty under the Nuclear Installations Act 1965 which places BNFL under a responsibility not to cause damage to persons or property through radioactive emissions.

Mr Martyn Day, solicitor for the families, said he believed they could prove the cancers were caused by the plant. BNFL said: "There is no proven link between BNFL activities and childhood leukaemia in the Sellafield area. Independent experts have expressed doubt that it can be caused by discharges from nuclear plants."

# Today's new law means children must use rear seat belts where fitted.

# Otherwise you risk a £50 fine.

# But the real cost could be far greater.



All too often, it's the children who pay the price in road accidents.

You might think they're perfectly safe in the back of a car.

In a crash or a shunt, a child can easily be catapulted onto the dashboard, or even through the windscreen.

Even at speeds as low as 25mph.

The results can be horrific. Over 60 children are killed, and 7,000 injured in this way each year.

It's senseless carnage, and that's why there's now a law about it.

Starting today, if your car has rear seat belts or child restraints fitted, you must make children under 14 years old use them. (Providing the restraint is appropriate for the child's age and weight.)

Of course, the law is only reflecting commonsense.

All cars registered after April 1987 (and many older ones) are already equipped with rear seat belts.

And booster cushions and restraints for babies and children of all ages are widely and cheaply available.

So it only takes a little time and effort to make children of all ages safe in the back of your car.

It's a small price to pay to save something beyond value. A child's life. THE DEPARTMENT OF TRANSPORT

Children are dying for child restraints.

## MANAGEMENT

World chemicals

# Laying down the ground rules for a marriage of two cultures

**Having filled the gap in its US coverage by buying Celanese, Hoechst opted to leave teams of local managers to determine the subsidiary's operating structure. Alice Rawsthorn reports on the resulting integration**

Three years ago Hoechst became a formidable force in US chemicals by buying Celanese for $2.8bn (£1.8bn). The acquisition fulfilled a long-standing ambition of Hoechst to move into the US, but the outlook for its new US interests was nothing if not daunting.

The offer was then the biggest-ever bid in the US by a West German company. It turned Hoechst's US subsidiary into the fifth biggest chemicals company in North America with nearly 34,000 employees and a place in the Fortune 100. Hoechst itself became the world's biggest chemicals group.

The early reaction could scarcely be called encouraging. The offer was greeted by a stream of scathing comments from Wall Street and the announcement of an anti-trust investigation by the Federal Trade Commission (FTC).

Three years later Hoechst has completed the integration of its old US interests with those of Celanese, and Hoechst Celanese, as the US subsidiary is now called, is one of the most profitable parts of its worldwide interests.

Before it bid for Celanese, one of Hoechst's weakest areas of activity was the US. American Hoechst, its US subsidiary, had sales of $1.7bn. This left Hoechst well behind Bayer and BASF, the other West German chemicals giants, in the important US market.

American Hoechst was also too small to develop the managerial and technological resources required to compete in US chemicals. It needed more critical mass to justify the investment in research and development necessary to build its business. It also needed to reduce its reliance on textile fibres by expanding into other products. The acquisition of a sizeable US chemicals company looked like the simplest solution.

Celanese was also burdened by problems of size. It was eager to broaden the base of its $3bn business beyond fibres and commodity chemicals, but its limited resources meant its expansion was restricted to joint ventures and equity stakes in other companies where it could not exercise managerial control.

Moreover, it was concerned that it could become the butt of one of the hostile bids which were sweeping across Wall Street. Celanese had become highly profitable after reorganising its interests in the mid-1980s and looked increasingly likely to fall prey to a predator. An agreed bid was a much more attractive option.

American Hoechst and Celanese had worked together through joint ventures and licensing agreements since the 1950s. Hoechst offered access to the capital that Celanese needed for expansion. Celanese could add critical mass to Hoechst's US interests. And their product portfolios were broadly complementary.

The two companies announced the details of their merger in November 1986. There was then an agonising period of waiting while the FTC completed its anti-trust investigation. The Commission finally sanctioned the deal on condition that Hoechst sold the two biggest – and most profitable – Celanese fibre factories.

Hoechst had always known it would be forced to reduce its fibre interests, but had hoped to avoid losing its two prime plants. It had to postpone the restructuring of the fibre business until January 1988, when the sale of the two plants was completed. But it began the integration of its other businesses – such as speciality chemicals and life sciences – immediately after the acquisition.

Given that textile fibres was the only area of activity where the two companies overlapped, the merger was relatively free from the cuts and closures that mar the aftermath of so many acquisitions. Moreover the enforced disposal of the Celanese plants, although unwelcome in every other way, did have the advantage of keeping the rationalisation in textile fibres to a minimum.

There was, however, some duplication of staff in central facilities like finance and personnel. The weeding out of superfluous staff and the closure of the old Celanese headquarters in Manhattan involved the loss of 150 corporate jobs.

The chief difficulty was that the two companies were completely different in culture and structure. Celanese was archetypally American in that it was a decentralised company where strategic decisions were made at a relatively low level.

By contrast American Hoechst had adopted the structure of its West German parent with strict central controls and close links to headquarters in Frankfurt. There were also so many Germans among the senior management that it tended to be seen – externally and internally – as a subsidiary of a strong overseas group, not as an autonomous company.

Hoechst was determined that the new Hoechst Celanese should be seen – and should see itself – as an independent US company with its own identity.

Ernest Drew, vice president of Celanese who is now president and chief executive officer of Hoechst Celanese, says the West German parent group mapped out a framework for the integration of the two companies and then left it to the local managers to devise a structure for the new group. "There was no input from Frankfurt," he says. "Having laid down the ground rules, Hoechst did not interfere at all."

The first step after the acquisition was to form a series of management teams, the Quality Action Teams, to suggest how various parts of the new company should be structured. There were 24 teams. Each was composed of people from both American Hoechst and Celanese.

The QATs made proposals about what sort of structures were needed in the new company, how big the various parts should be and who would be involved.

McKinsey, the management consultancy, was called in to act as an adviser on the merger. Hoechst Celanese also brought in Philip Crosby Associates, a Florida-based consultancy, to offer advice on the culture of the new company.

From the very beginning everyone concerned was determined that Hoechst Celanese should have its own identity, rather than being yet another Hoechst subsidiary.

A QAT was formed specifically to consider what the cultural values of the new company should be. Six months later it produced a set of 20 "values" covering the company's attitude to performance, people and process.

The values include everything from "employee pride and enthusiasm", to "openness and trust in all relationships" and "commitment to continual improvement". They may seem somewhat bland to a European eye, but Drew sees them as the cornerstone of the company.

"The values are not hokum," he says. "They set the tone for everyone from the top downwards. The values played a very important part in integrating the two companies because they came from the employees themselves and told everyone what Hoechst Celanese stood for."

The structure of the company has been designed to devolve responsibility to the lowest possible level. At the top is the chairman's committee – composed of five members of the Hoechst main board, alongside Ernest Drew – which meets twice a year to review budgets and capital expenditure.

In theory the chairman's committee is the mechanism with which Hoechst can control its US subsidiary. In practice Hoechst Celanese has been left to its own devices.

"So far Hoechst has gone along with all our recommendations," says Drew. "We have worked out our projections for sales and earnings. And they have not changed one iota."

After the chairman's committee comes the operating committee, composed of group presidents. Then come the business units. The textile fibres division, for example, is divided into six units all responsible for particular markets.

The units can call on central resources for areas like research and finance. Otherwise they are left to their own devices. Each unit must be managed in accordance with the Hoechst Celanese values, but they are allowed to interpret the values as they wish. Hence the fibre factory at Salisbury, North Carolina, has adopted a team working system for employee motivation, while the factory at nearby Spartanburg has chosen a different system of quality circles.

Given that there were few areas of overlap between American Hoechst and Celanese, the everyday operation of the plants has been unaffected by the merger. "There has been very little impact on day-to-day operations," says Carl Repsher, head of the Salisbury plant. "But it has changed our attitude. We have become longer term in our thinking, more like a European company."

Employees from the Salisbury plant now hold regular meetings with their West German counterparts to discuss issues like technology. The level of investment in the plant has increased from $25m in 1988 to $60m this year. This year's investment programme will include a significant increase in polyester filament capacity.

The freedom from the constraints of Wall Street and the tyranny of quarterly reporting has helped all the managers – not only those at Salisbury – to pay more attention to longer term projects. "There has always been a criticism that US companies emphasise short-term earnings at the expense of the long term," says Drew. "Earnings growth is still important but we are now able to focus on the long term."

Hoechst Celanese has been fortunate in that the merger took place at a time of favourable market conditions. In 1988 it was one of the best performers in the Hoechst empire with a 48 per cent increase in net earnings to $250m on sales of $5.7bn. This year conditions are more competitive, but, as Drew says, with the restructuring completed the company considers it will be better able to cope.

All in all Hoechst Celanese's research suggests that the merger has been a success. A confidential poll showed that 84 per cent of employees thought the merger had been implemented well, while 89 per cent expressed confidence in the future direction of the company.

The only problem, according to Drew, is that Americans still cannot twist their tongues around the word Hoechst. "It is a very real problem," he says. "We have to tell them it is spelt H-e-r-k-s-t."

Ernest Drew: "US companies are criticised for their short-term emphasis. Earnings growth is still important but we can now focus on the long term."

## The best of both worlds in R&D

"WE USED to look one or two years ahead," says Ernest Drew. "Now we look five years ahead. And if I talk about what we will be doing in 10 years' time, people actually listen."

When American Hoechst and Celanese joined forces to form Hoechst Celanese three years ago one of their objectives was to create a company with the necessary critical mass to take on long term projects and invest in more ambitious research and development.

The pace of change in the chemicals industry accelerates all the time. The Hoechst Celanese technical, or specialist, fibres division, for example, makes almost a third of its sales from products which were not around four years ago. But before the merger American Hoechst was too small to justify the level of investment in R&D required to remain competitive, while Celanese was constrained in its plans for expansion.

Since the merger the level of investment in R&D has risen to reach $200m last year. The level of investment in new projects has also increased. The company is involved in joint ventures for drugs in the US and tow for cigarette filters in China. It is increasing acrylic acid capacity in Texas and polyester filament production in North Carolina. It is opening an engineering plastics plant in Japan.

Hoechst Celanese also benefits from being able to pool its research resources with those of its West German parent company. As soon as the merger was completed, a Steering Committee for Technology was formed to devise a structure for the company's R&D activities and to foster closer co-operation between the research teams in the US and in West Germany.

The intention was to reduce the risk of wasting resources by duplicating R&D work. In textile fibres, for example, teams in both countries were looking at ways to refine the fibre production process so that its fibres were better suited to the new open-end spinning systems being used by its customers.

The steering committee was able to identify the researchers who had made most progress in this area of research in the US and West Germany. It then put them together in action teams so they could pool their ideas.

"This way, we can try to make sure that we do not waste time and money with two people working on the same project," says John Fennie, president of the textile fibres division. "It should mean we get the best of both worlds."

## TECHNOLOGY

# Broadcasting bug spreads its wings

**Della Bradshaw explains why satellites provide the key to a host of business services**

Imagine waking up in the morning and not having to go downstairs to pick up your newspaper. Instead, it is waiting at your bedside, neatly printed out and ready to be read with your morning cuppa.

Already Americans in the UK who want to remain informed about what is happening back home can have daily copies of USA Today broadcast to them. All they need is a facsimile machine, a television aerial and a decoding box to translate the signal. Soon UK newspaper companies could follow suit.

The service has been made possible by developments in broadcasting technology, which mean that businesses, and even home subscribers, can receive information sent over the airwaves. The information is displayed on a screen or personal computer, or printed out by a facsimile machine.

Under the umbrella term of data broadcasting comes any service which takes information from one source and then broadcasts it to a number of receivers, either via satellite or land-based broadcast systems (using terrestrial antennae).

In the US, deregulation in the communications and broadcast industries has resulted in a rush of such services. One of the main selling points is speed – data sent from a head office can arrive in branches in less than a second.

Weather information is transmitted to local radio stations, where disc jockeys read out the latest storm warning. News agencies transmit stories to newspapers within minutes of the events occuring. Keeping up to date with share price movements is one of the most popular services.

Proponents of data broadcasting in the UK say that among the earliest applications will be the provision of fast, one-way links between company head offices and their branches.

"One major bank sends on average 12 pieces of paper to each branch every day, most of that by private courier," says Vince Waterson, technical director of Data Broadcast Services, which provides the US Today service in the UK. "Banks just don't realise how much they spend in communicating with their branches, by courier or by post."

Other financial applications could involve sending messages to banks and retail outlets when a credit card is reported stolen. Eventually the data could be fed directly to card-reading machines to prevent a fraudulent payment, says Steve Clark, managing director of Maxwell Satellite Communications, which is planning to begin trials of a satellite data service in the UK from February.

Then again, data broadcasting could be used to send updates of business or telephone directories stored on databases. Or, by attaching a fax machine, Photofit pictures of suspected criminals could be sent to police in ports and airports to help foil escapes.

Although these sorts of transmission can already be made via traditional telephone services – such as fax, telex or telephone lines – they are all two-way and therefore more expensive. In addition, many companies only have the facilities to send the messages sequentially, rather than concurrently as a broadcast. With data such as share price changes, the extra few seconds could be vital.

In Europe – Sweden, France, West Germany and Spain have introduced services, but it is in the UK where most developments are afoot.

There are already established services using the infrastructure of the UK's two broadcasting organisations, the BBC and IBA. Included are services that transmit information about share prices to private investors, and about horse races to betting shops.

In addition, six companies were licensed last October to provide data broadcasting services via satellite. British Aerospace Communications has already begun and others are hard on its heels.

The successful launch of the British Satellite Broadcasting (BSB) satellite earlier this week will enable BSB Datavision, for example, to launch its data broadcasting services from next spring. (Pearson, the owner of the FT, is a shareholder in BSB.)

There are four ways in which data broadcasting operators can send the information:

- Between the television pictures broadcast by the BBC or IBA. The data is squeezed into parcels of information which are transmitted in the space between the frames – the vertical blanking interval (VBI). The data is picked up by terminals, each of which has a unique identification so that the service only goes to the ones authorised to receive it.
- Alongside radio transmissions, via commercial radio network antennae.
- Alongside the pictures of a satellite television programme. With the newer systems which broadcast using D-Mac signals, up to one megabit of data can be transmitted alongside each television channel. The information is received by small dishes – customers gathering low-speed data in southern England could get away with ones only 30 cm across. Each dish has a unique serial number.
- By using satellite channels leased for data transmission.

The advantage of using satellites rather than the earth-bound systems is that there is more available bandwidth. As a result, live television signals, or video material, can be broadcast as well as text.

Many of the operators believe that the live business television broadcasts, rather than text broadcasts, will provide the bulk of the revenue because they will be able to charge for more bandwidth – live television can take up to 40 times the bandwidth of a low-speed data signal.

In the US over the past five years, live business television has grown from 200 to 30,000 hours a year. One of the main uses is in marketing – giving out information and rallying the troops for a product launch, for example.

One of the reasons for the spread of private broadcast services in the US, both for data and live television, has been the sheer size of the country – many companies have branches scattered from Seattle to Miami. In Europe, however, barriers remain.

Although the six linceasees planning to operate satellite services in the UK could technically broadcast to the whole of Europe, the licences issued by the UK Government stipulate that they can only broadcast to receivers in Britain.

And although the European Commission has indicated that countries should allow business customers throughout Europe to use the small dish terminals to accept signals from any satellite by the end of this year, most countries are dragging their feet over amending their laws

Until pan-European services are available, terrestrial broadcasting services – Datacast, using the BBC antennae and Aircall Teletext using the IBA ones – may still have the upper hand for data transmission. "The terrestrial services are here now, with robust proven technology, based on a single agreed standard," says Stephen Castell, business development consultant with BBC Enterprises.

Although data broadcasting sounds like an autocrat's panacea, some say that it does have technical limits. Jill Maslen, research director at CIT Research, of London, says: "The user has to be aware and committed to using a satellite because in practice it is not so easy to get a system up and working adequately. It isn't the same game as just leasing a line, and away you go. For that reason we don't see it as a boom market."

However, many of the operators believe that data broadcasting will eventually reach a mass market. One of the main pushes to that end will come from BSB Datavision, which has ensured that every £250-£300 dish and decoding box will be able to receive low-speed data as well as the BSB satellite television programmes. So the newspaper printed out at home could be here within a year.

Leighton Morris

When data is broadcast by satellite, information is sent from a computer centre up to the satellite, which then broadcasts it to authorised users

### Nitrogen as a CFC replacement

IN THE battle to develop an alternative to the discredited CFC-based aerosol, a Tasmanian inventor has hit upon the idea of employing nitrogen to force fluid from a can.

The technique could be used to dispense anything from hair spray to whipped cream, according to Overseas Technology, of Sydney, which is promoting the technique internationally.

The DNA 2000 aerosol works by dissolving nitrogen in the liquid product – similar to the way carbon dioxide is dissolved to make a fizzy drink.

Nitrogen is contained under pressure in a small capsule inside the can. When the user presses the nozzle, the polish or hair spray is released, propelled by the nitrogen, and the pressure in the can decreases. That triggers the release of more nitrogen into the can, so maintaining a continuous spray.

### A model of share performance

AS FINANCIAL trading becomes more international, computer models being used to help analyse the performance of shares and manage clients' portfolios.

One new service helps financial managers to calculate the performance of Japanese shares. ISS incorporates two types of model. The first analyses how risky an individual company's shares are compared with the rest of the market; the second takes into account macro-economic factors, such as inflation and interest rates.

Developed by Yamaichi Securities, of Tokyo, with Global Advanced Technology Corporation, of New York, the database is updated daily when the Tokyo market closes. The information is then transmitted to subscribers in Japan and the US.

Yamaichi is developing similar systems to analyse shares held on the US and Korean stock markets.

### Urea helps get rid of pollutants

SOME of the nastiest by-products of power stations are the nitrogen oxides which dissolve to form acid rain. Converting them into harmless substances is usually expensive, involving precious metal catalysts.

However, one way of eliminating 70 per cent of these pollutants has been developed, which makes use of a common waste material called urea. Urea, in spite of its animal overtones, is created industrially in huge quantities as a by-product of natural gas exploitation. It reacts with nitrogen oxides to give nitrogen and water.

The NoxOut process has been developed by Fuel Tech, of London, based on research by the US Electric Power Research Institute. It involves spraying urea into the boiler and using enhancing chemicals to maximise the temperature range at which the process works.

The company reckons that neutralising nitrogen oxides in this way costs only a quarter as much as using a catalyst.

### Latest word in queueing

QUEUES are regarded as typically British. But to prevent them growing ever longer, institutions such as banks and building societies are considering methods of making them move more quickly.

Already in use in Irish banks is a computerised voice system which tells the person at the front of the queue which counter to go to. Developed by Voicetech of Dublin, the system incorporates an electronic speaker, wired to a computer control which is in turn wired to buzzers in the booths.

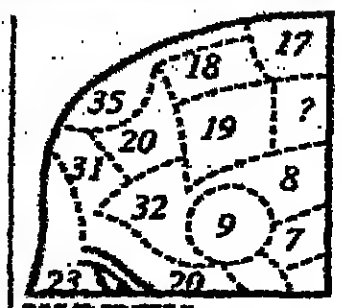
The machine can be programmed to produce a number of standard expressions, and can also be used to advertise the bank's services in between queueing announcements. If a male clerk is replaced by his female peer at the counter, the buzzer is pressed twice to change the voice from male to female.

### Instant FT over the phone lines

JAPANESE banks have traditionally sent copies of the Financial Times back to Tokyo each morning by facsimile. But that could soon be a thing of the past, writes Paul Abrahams.

From Monday, Profile, the electronic database run by Pearson, which owns the FT, is launching a service offering the full text of the newspaper from midnight UK time. It can be accessed from anywhere in the world. In the Far East, this will enable companies to use the information while the Tokyo market is still open.

Information on the Profile database can be read using a personal computer, modem and telephone line. In addition, subscribers can search each day's newspaper automatically by feeding in key words, such as a company name.





## WORTH WATCHING

Edited by Della Bradshaw

### The nibble-proof sweatband

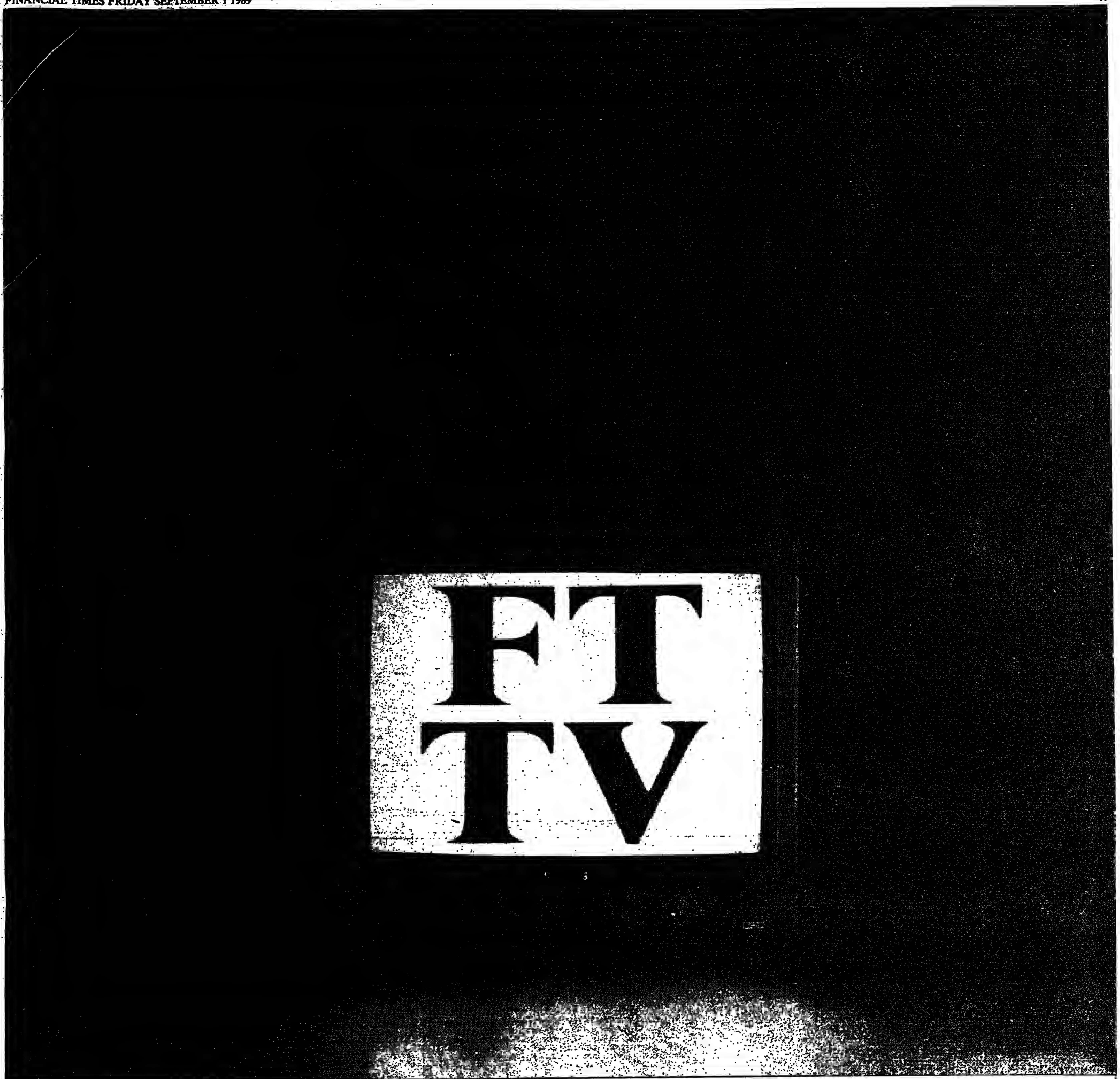
THE MOSQUITO'S favourite human nibble is the exposed ankle, followed by the wrist, lower leg and arm, writes Rachel Johnson.

Luckily for the easily-bitten, travelling Mosi-Guards, burgundy-coloured sports sweatbands impregnated with the world's most widely used repellent, deet, are now available. Trials conducted at the London School of Hygiene and Tropical Medicine have shown that the bands can reduce bites by up to 85 per cent.

Cotton retains the active ingredient for longer than if lotion is applied to the skin because the material slows evaporation. Sold by the Medical Advisory Service for Travellers Abroad (Masta), the Mosi-Guard can remain effective for up to 120 hours if resealed in its plastic bag. Immerse it in liquid deet and it should last for another 120 hours.

The price is £5.75 for a set of four – one for each limb.

CONTACTS: Overseas Technology: Australia, 2 [illegible]. Yamaichi Securities: Japan, [illegible]. Fuel Tech: London, [illegible]. Profile: UK, [illegible]. Voicetech: Dublin, [illegible]. Masta: London, [illegible].


FT
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# ARTS

## Arts Week

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### THEATRE

#### London

**The Merchant of Venice** (Phoenix). Dustin Hoffman's Shylock a sympathetic, semaphore-gesturing alien in Peter Hall's fine Venetian Renaissance production. Geraldine James a superb Portia (836 2294).

**The Black Prince** (Aldwych). Ian McDiarmid gives the performance of a lifetime in Iris Murdoch's distillation of her own Hamlet novel. Witty black farce, vitriolic and entertaining (836 6404).

**Anything Goes** (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs and Elaine Paige, the former star of Evita and Cats, failing to emulate Ethel Merman. Jerry Zaks's desperately bright production comes from the Lincoln Center in New York and is undemanding summertime fare (734 8951, cc 836 2428).

**A Flea in Her Ear** (Old Vic). Feydeau's farce in the John Mortimer translation spiritedly done as German Expressionist nightmare by Richard Jones and the Quay Brothers, the directing and design team on WNO's *Love of Three Oranges*. Jim Broadbent leads good cast as the discomfited insurance manager and his doppelganger, a drunken hotel porter. An interesting, enjoyable, unfairly derided experiment (928 7616, cc 240 7200).

**Veterans Day** (Haymarket). Imperfect Donald Freed nationalist paranoia play about three veterans gathered to bump off the American President partly redeemed by fascinating duo of psychotic Vietnam hero Michael Gambon and brightly accommodating Second World War buddy Jack Lemmon (930 9832).

**M. Butterfly** (Shaftesbury). Anthony Hopkins as the tortured diplomatic hero in a Peter Shaffer-style "spectacle of ideas" dressed up in John Dexter's superb production as a metaphor of homosexual life.

The transvestite tragedy proves less electrifying than in New York; the play is not very good but still worth seeing (379 5399).

**Henceforward** (Vaudeville). Martin Jarvis and Joanna van Gyseghem in bleakly funny and experimental Alan Ayckbourn comedy of future shock and strained marriage. A tale of obsession, devotion, computer music, women as robots, gangs on the streets and a tug-of-love. Ends Sept 18 (836 9987, cc 741 9999).

**Aspects of Love** (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unspectacular, hit (839 5972).

#### New York

**Heidi Chronicles** (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

**Lend Me a Tenor** (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).

**Jerome Robbins' Broadway** (Imperial). Anyone attracted by the notion of a three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including On the Town, West Side Story and Gypsy.

The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.

**Rumours** (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.

**Cats** (Winter Garden). The musical dance spectacular is still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6252).

**A Chorus Line** (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).

**Les Misérables** (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama form London's original West End production (239 6200).

**Me and My Girl** (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).

**M. Butterfly** (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0320).

**Phantom of the Opera** (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks without Michael Crawford, who is shortly to star in the Los Angeles production, but still packs in the audiences anxious to hear Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

#### Chicago

**Driving Miss Daisy** (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).

**Steel Magnolias** (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

#### Washington

**The Cocktail Hour** (Eisenhower). The original Broadway cast including Nancy Marchand and Keene Curtis bring in A. R. Gurney's latest comedy of manners, in which a writer asks his family's permission to write about them. Ends Sept 23. Kennedy Center (254 3670).

**Gypsy** (Kennedy Center Opera House). Tyne Daly takes the Ethel Merman role as the stage mother pushing her daughter into notoriety as a striptease artist in this 30th anniversary revival of the wonderful Stephen Sondheim-Jule Styne musical with songs like "Small World". Ends Sept 17 (254 3770).

#### Tokyo

**Kabuki**, Kabuki-za. Both the 11.00am and 4.30pm performances are mixed programmes this month. The highlight of the evening show is undoubtedly *Cho no Michiyuki (The Butterflies' Journey)*, a gorgeous dance piece about two lovers whose transformation into butterflies is a symbol of death. Tickets can be purchased for a single act on the day of the performance and the theatre provides informative English-language programmes and earphone commentary (541 3131).

**Noh**, National Noh Theatre, Sendagaya (Wednesday only at 1pm): *Hachi no Ki (The Dwarf Trees)*. The programme also includes a kyogen comic interluda (423 1331). Most other Noh theatres are open only at weekends (check local press for details).

**Maly Theatre**, Leningrad. One of the USSR's oldest and most innovative companies in an adaptation (in Russian) of William Golding's Lord of the Flies (Tues), in repertory with two new Soviet plays, Starsjn the Morning Sky (Wed, Thurs) and the epic six-hour Brothers and Sisters. Ginza Saison Theatre (535 0555).

### EXHIBITIONS

#### Paris

**The Louvre**. The glass pyramid, built by I.M. Pei, the Sino-American architect, has opened to the public as a dramatic entrance to one of the world's most famous museums. Open 9am-6pm, Mon and Wed until 9.45pm, closed Tue.

**Bibliothèque Nationale**. 1789 Le Patrimoine libéré. Rather than inheritence liberated, words like confiscation and plunder would describe more accurately the manner in which the 200 treasures, chosen from hundreds of thousands of documents, reached the Bibliothèque Nationale from churches and palaces during the revolutionary years. 52 rue de Richelieu. Ends Sept 10.

#### Martigny

**Fondation Gianadda**. A Henry Moore retrospective of some 50 sculptures, 80 drawings shown in rotation and 60 engravings is as impressive by the judicious selection of exhibits, as by the exceptional location for 12 of the monumental statues in a park with Alpine peaks as a backdrop. Ends Nov 19 (026-223978).

#### Bremen

**Kunsthalle am Wall 207**. A Karl Schmidt Rottluff retrospective (1884-1976) with around 200 pictures, sculptures and paper works from 1907-1970. The expressionist painter was much influenced by his first trip with his friend Erich Heckel to Dangast, a small village in North Germany. He was the founder member of the East German arts group "bruecke". The exhibition closes with aquarelles from the 1970s. Ends Sept 10.

#### Brussels

**KB Gallery** James Ensor Etchings: works from the Franck Collection. (Ends Sept 10) 19 Grand Place.

**Halles St Gery** - Avanti, Bertrand Neuman (Ends Sept 9), Place St Gery.

**Musée du Costume et de la Dentelle**. Women and Equality 1789 - 1889. Ends Sept 24.

#### Amsterdam

**Amsterdam Historic Museum**. A selection of 70 design drawings from the private collection of art dealer Lodewijk Houthakker. Spanning four centuries, they range from delicate architectural detail to grandiose pipe-dreams, and merely whet the appetite to see more from this fabled collection of more than 1,000 sheets. Ends Sept 17.

#### Vienna

**The Technisches Museum**. Although not the most elegant of Viennese museums, has put together an exhibition exploring the relationship between art and industry and how industry has tapped the imagination of the artist. It is particuarly interesting having Austria's post-war generation represented under one roof. Ends October 26 1989.

**Museum of Modern Art**. Dieter Ronte, its director, fought against the Viennese establishment to exhibit non-Austrian artists. He is now quitting Austria, tired of the bureaucracy. Before he goes, he has, however, managed to give the Austrians a glimpse of the photographic work of William Henry Fox Talbot. Ends September 10.

**The Benedictine Monastery** in Melk, an hour's drive from Vienna, celebrates its 900th anniversary. Besides a fascinating collection of paintings, books and later, newspaper cuttings, the Abbey boasts the finest baroqna architecture in this part of Europe. Until November 15.

#### Rome

**Galleria Nazionale d'Arte Moderna**. The Sonnabend Collection contains a little of everything, from pop-art with some of the best-known works of Warhol, Lichtenstein, Jim Dine, followed by examples of American minimal art (Flavin, Judd, Morris), to conceptual art and *Arte povera*, with works by Gilbert and George, Paolini, Merz, Pistoletto and Kounellis, ending with some curious examples of German neo-expressionism. Until Oct 2.

**Museo Napoleonico**. Eighteenth-century Roman Theatre and Carnivals. Life was anything but comfortable for impresarios under the oppressive papacy of Pius VI, with ruin continually staring them in the face through forced closure by unpredictable papal censors. This absorbing exhibition covers the years 1775, when Pius VIth's long reign began, to 1799. The Roman cultural scene was lively but frivolous, ballet and spectacular theatre in general being much preferred to classical plays or opera. Included in the exhibition are numerous etchings of stage sets and elaborate papier-maché architecture, built for carnival masques and later burnt, portraits of contemporary composers and an enchanting Perseus and Andromeda by the French sculptor, Chinard. Ends Sept 30.

#### Turin

**Russian and Soviet Art: 1870-1930**. Renzo Piano, architect of the Beaubourg, has given the 250 works chosen from Soviet museums by Giovanni Carandente an immensely effective setting, turning the ground-floor workshops of the disused Fiat factory into the equivalent of an Arab tent. The works are hung on suspended panels of white gauze, divided into 22 more or less chronological sections, complemented by the immense Bolshevik-red banners which flutter in the breeze in the square outside. Many of the early figurative paintings on show give evocative glimpses of life in the Russian villages and the particular quality of light and landscape, notably Vasiliev's Autumn Woods, Nesterov's pensive girls in traditional dress at the lakeside and Vinogradov's inviting summerhouses on the slopes of the Crimean hills, with their unexpectedly luxuriant gardens. Cosmopolitan and sophisticated, Russian artists could hardly have been in closer contact with contemporaries in France and Germany. Matisse was in Moscow to install his two paintings, Music and Dance in the house of the collector, Sergei Sukin, and two symbolist works on show by Petrov-Vodkin, Youngsters and The Thirsty Fighter contain clear echoes of these. The giant figure of the prototype of impresarios, Diaghilev, looms over the exhibition. There are two portraits, one by Serov, elegant and devilish, dated 1904, and another, with his old nurse, painted by Bakst in 1906. There are numerous original designs for the sets of the Ballets Russes: Petrushka (1911) and Pavillon d'Armide, by Benois (1907), the ballet which marked the beginning of Fokine's career as a choreographer and that of Nijinsky and Pavlova as dancers, at the Marinsky theatre.

#### Spoleto

**Rocco Albornoziana and Church of S. Nicolo**. 17th century painting in Umbria. The exhibition is the fruit of nearly 20 years research work by Professor Bruno Toscano and a group of helpers, who have been through Umbrian churches and convents with a toothcomb, and the gloriously restored results can be examined close-to in two settings (of which the latter is by far the most satisfactory). The works are uneven in quality, but all are interesting, each telling a story (often with the sponsor looking pious in the lower right-hand corner), and often harking back in style to earlier artists such as Perugino. Not all are by local painters: a notable exception is fine work by the French painter, Jean l'Homme (signed and dated 1631), and some are discoveries, such as an unknown, Francesco Furini. One of the most beautiful is the Maestro di Serrone's arresting and enigmatic Workshop of Sanguinaspe where Christ (with an almost victorian head of curls and roughly eight years old standing between his parents forms a rough cross from wood fragments from the workbench, and binds them together with thread from his mother's sewing-box, a mysterious smile on his face, while his parents' eyes meet in anxious premonition. Ends Sept 23.

#### Venice

**Palazzo Grassi**. Italian Art 1900-1945. A much-amplified exhibition covering a briefer period than did the recent show at the Royal Academy in London, organised again by Germano Celant, with the director of Palazzo Grassi, Pontus Hulten. An attempt is made to put the works into a clear political and social context, emphasising links with contemporary literature, music and cinema. The exhibition ends with two blown-up stills from films by Visconti and Rossellini. Ends Nov.

#### New York

**Whitney Museum**. A special exhibit from the museum's extensive holdings of Edward Hopper highlight the realistic painter's Paris and domestic scenes among the 150 pieces in all media. Ends Nov 5.

#### Tokyo

**National Museum**. Heijokyo Exhibition. Important archaeological finds excavated in the past 30 years in Nara, where Japan's capital and imperial palace were located in the eighth century. Closed Mondays.

**National Museum of Modern Art**. Art of the Showa Era. Paintings, sculpture, prints and photos by Japanese artists, all executed during the reign of the late Showa Emperor (1926-1989). Closed Mondays.

### OPERA AND BALLET

#### London

**English National Opera**, Coliseum. The opening works of the season are *The Magic Flute*, in Nicholas Hytner's enchantingly fresh and funny production, and *Katya Kabanova*, produced by David Pountney.

The Mozart revival is conducted by Lothar Zagrosek, and the cast includes Thomas Randle, Cathryn Pope, Alan Opie and John Connell; the Janacek brings back the Czech conductor Albert Rosen to the Coliseum, and has Kathryn Harries and Pauline Tinsley in leading roles.

**Sadler's Wells Theatre**. For six performances the Theater Ludwigshafen and the Academy of Ancient Music join forces to present a "period-instrument" production of Mozart's *Entführung aus dem Serail*. The conductor is Christopher Hogwood.

#### Glasgow

The only worthwhile ballet in Britain is in Glasgow where New York City Ballet plays a brief season on Sept 6-10 at the Theatre Royal.

#### Vienna

**Volksoper**. The week's offerings include performances of *Die Zauberflöte*, *Eine Nacht in Venedig*, *Don Giovanni*, Millocker's *Gasparone*, *Hoffmanns Erzählungen*, *Die Fledermaus* and *Der Zigeunerbaron*.

#### Brussels

**Théâtre du Residence Palace**. *Le Nozze di Figaro* is conducted by Robert Janssens with Isabelle Kabatu, Werner van Mechelen, Marie-Noelle de Callatay, Victor Demaiffe, staged by Stefano Giuliani, with the Brussels Festival Orchestra. Sept 5, 7, 8, 9 (513 89 40).

#### Berlin

**Hebbel Theater**. *Der Schrei*, a German ballet premiere with guest Jorma Uotinen and therevived *Der grüne Tisch*. *Montezuma* in Herbert Wernicke'sproduction returns with Iris Vermillion, Jane Giering, Gudrun Sieber and Walter Groenroos.

**Philharmonie**. To commemorate the 125th anniversary of the birth of Richard Strauss, his *Friedenstag* will be performed in a concert version, conducted by Heinrich Hollreiser. Singers include Sabine Hass, Barbara Vogel, Bernd Weikl and Jan-Hendrik Rootering.

#### Hamburg

**Opera**. The successful Broadway musical *La Cage aux Folles* by Jerry Herman and Harvey Fierstein will have its opening night this week, produced by Helmut Baumann with guest artists from the Theater des Westens, Berlin.

#### Bonn

**Opera**. The new season opens with *Aida*, newly produced byJacques-Karpo from France. The cast stars Livia Budai, RosalindPlowright in the title role, Lando Bartolini, Luigi Roni, Jean-Philippe Lafont, Masuto Matsushita and will be conducted by Bonn's music director Dennis Russell Davies.

#### Pesaro

**Rossini Opera Festival**, Auditorium Pedrotti. This year's festival ends with Pier Luigi Pizzi's production of Rossini's *Bianca e Falliero*, conducted by Daniele Gatti. The excellent cast includes American tenor Chris Merritt, with Lella Cuberli, Martine Dupuy and Claudio Bisaro (Mon, Wed) (38184)

#### New York

**New York City Opera**. Leonard Bernstein's *Candide* conducted by Stanley Silverman, running all week, revives the Hal Prince production that helped established the company's reputation for keeping the American musical alive. Lincoln Center New York State Theatre (877 4700).

#### Tokyo

**Pina Bausch: Tanztheater Wuppertal**. One of Europe's leading avant garde dance companies presents *Nelken (Carnation)* National Theatre (5870031).



## LEGAL NOTICES

Company No 1836229
Registered in England and Wales

**ADVANCED TRAINING TECHNOLOGY ASSOCIATES LIMITED**
(IN ADMINISTRATIVE RECEIVERSHIP)
(FORMERLY TRADING AT BALLIOL CHAMBERS, HOLLOW LANE, HITCHIN, HERTS)

NOTICE IS HEREBY GIVEN, pursuant to section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at:

CORK GULLY, SHELLEY HOUSE, 3 NOBLE STREET, LONDON EC2V 7DQ

on 18 September 1989 at 10.30 am for the purpose of being laid before it a copy of the report prepared by the administrative receiver under section 48 of the said Act.

Creditors whose claims are wholly secured are not entitled to attend or be represented at the Meeting. Other creditors are only entitled to vote if:

(a) they have delivered to me at the address shown above, by no later than 4.00 p.m. on 15 September 1989, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with me any proxy which the creditor intends to be used on his or her behalf. Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

Date 22 August 1989

R W Cork
Administrative Receiver

## ARTS

# Tracking down the legacy of Larkin

**Restorers may have shed new light on a Jacobean mystery, reports Susan Moore**

William Larkin was hailed as "one of the great discoveries of English painting" in 1969 when Roy Strong attached his name to a stiffly resplendent group of Jacobean court portraits. Until then, this enigmatic group of "curtain-and-carpet" pictures had been given in turn to Daniel Mytens, Robert Peake, Marcus Gheeraerts, and even to the miniaturist Isaac Oliver.

Strong based his claim on a comparison with a painting at Charlecote Park of the philosopher and poet Lord Herbert of Cherbury, presumed to be the one described in Herbert's autobiography as "by one Larkin a Painter," and its pair, a portrait of Sir Thomas Lucy. Only a handful of references to the obscure London painter stainer have been discovered, and the Herbert picture is the only documented work. Evidence for the attribution is slight, and further doubts were cast as to whether all the paintings were even executed by one hand.

Twenty years on the debate reopens. The group of nine large, full length portraits from the Suffolk Collection attributed to Larkin — the largest set of Jacobean portraits in existence — are being cleaned and restored. Work on five has been completed, including the portrait of the extravagant Richard Sackville, 3rd Earl of Dorset, the centrepiece of a modest but engaging exhibition at Ranger's House, Blackheath, London (until October 29), the home of the Suffolk Collection since 1974.

During the course of Alan Cummings's careful conservation it had become clear that the pictures were produced by the same studio. As a result, Sarah Cove began a technical analysis of 25 canvases attributed to Larkin by Strong. The show presents the fruits of that research — x-rays, infra red and macro photography and photographs of cross sections of minute areas of paint — and of no less important archival work. It also allows us to compare the group with the oval bust length portraits from Charlecote, and with the portrait of the exquisite Philip Herbert, 4th Earl of Pembroke, from Audley End.

In brief, the use of large seamless canvases primed with a double ground, the under-drawing, the modelling of the face and hands — particularly the rounded, white-rimmed eyes — and the meticulous finish, point to all but three of the group coming from one studio. One of the most interesting technical revelations is the method of building up certain colours. A cross section from the underskirt of Elizabeth Bassett, Countess of Newcastle, for example, shows how ultramarine, derived from expensive lapis lazuli, was imitated by painting blue azurite over a pink underlayer. The findings more or less corroborate the connoisseurship. The one problem is that Larkin's authorship must remain inconclusive: the only documented work, and its pair, are painted on copper, and therefore could not be x-rayed.

Analysis tells us how the canvases were painted. The cleaning reveals their glorious colour and detail (although a number pigments have suffered, particularly the reds, which at times have faded to a dull fresco pink). Freed from the disfiguring grime, we find a new depth to the dark velvet, the bloom of pearls, crisply painted lace and carefully delineated gold and silver thread. Shadows appear under buttons, and the artist is shown to even record the frayed edges of the slashes cut into the silk.

This obsessive detail is compelling; it is also the reason why the artist enjoyed such illustrious patronage. For the paintings are not so much likenesses as icons. Their real subjects are the sumptuous costumes and exotic, expensive Turkey carpets — the wealth and status of the sitter.

Judging by his portrait, it comes as no surprise to learn from Aubrey that the 3rd Earl of Dorset "lived in the greatest splendour of any nobleman in England." His outrageously opulent costume is possibly the one he wore for the wedding of James I's daughter, the Princess Elizabeth, in 1613. What he wore in the court masque performed to mark the event survives through one of the Inigo Jones drawings at Chatsworth — one of the highlights of the show. Dorset was one of eight stars crowned in flames "made of all gold plate enamelled, and a top feather of silk representing a cloud of smoke."

*William Larkin's career was short. He died in 1619, the same year as Elizabeth I's great limner Nicholas Hilliard, whose style Larkin (if we are to accept the attribution) hadadapted to a new scale. The following year saw Rubens paint the Earl of Arundel, and Van Dyck's arrival in England. They were to make these formulaic images, anachronistic even in their own time, seem very quaint indeed.*

The 3rd Earl of Dorset, attributed to William Larkin

**Edinburgh Festival**

# The Divine Circus

The Jutland opera premièred Per Norgard's music-theatre piece — "opera" only at a pinch — in 1983 and with encouragement and sponsorship by the Danish Cultural Institute and Bikubenfonden they brought it to Edinburgh for two performances this week. The 57-year-old composer has long been the *Danish* voice among the international avant-garde. Providing a Festival showcase for *The Divine Circus*, even one as imperfectly suitable as the Leith Theatre, was an admirable Festival idea — whatever one's feelings about the piece itself.

Norgard (our typesetting is unequal to the Scandinavian vowels in his surname: imagine s stroke through the "o" and the "a" crowned by a mini-"o") came to attention first as a specifically Nordic composer, of the generation after Holmboe and Valen. Like many of that generation, he changed his spots radically in the 1960s. His experiments went from serialism through eclectic collage to a personal brand of systematising in the '70s; a keen ear for musical sound-drama has always carried him through.

*The Divine Circus* is one of the products of Norgard's recent fascination with Adolf Wölfli (1864-1930), a Swiss madman and naive artist. The texts are drawn from Wölfli's own bizarre "autobiography." Act 1, "Destruction," refracts the known events that led to his lifelong incarceration (child-molesting, chiefly), while the second-act "Creation" re-creates the fantastical life-story he then imagined for himself: fabulous journeys, hobnobbing with celestial beings. He dies to one of his own songs, an innocent yodelling ballad repeated *ad infinitum*. All this is played out in terms of clowns and Pierrots, beneath myriad strings of winking Tivoli lights (the Danish title of the piece is *Det guddommelige Tivoli*).

Besides Karl Antz's touchingly intense, baffled Wölfli five other singers enacted many roles, in the manner of a lubricious child's picture-book. The capering "chorus," six dancers of mixed gender, were costumed so as to seem at once sexily suggestive and sexless: polymorphous perversity as family entertainment, with any offensive sting extracted or at least suppressed. Very rum.

Norgard's score aims to match the instant switches of tone that mark Wölfli's clumsily elaborate reportage. He employs his chosen band — synthesiser, amplified 'cello and an exotic battery for six percussionists — with much aural imagination; the vocal writing falls into familiar modern stereotypes. Given the fragmented surrealist action, it is disappointing that the bitty music for the first and longer act acquires no continuing momentum of its own: if there are real links, they are too well concealed to serve dramatic purposes.

The music for the "Creation" act, which touches more nostalgic veins, also develops more persuasively, only to fade — shameless kitsch, this — behind interminable repetitions of Wölfli's rustic ditty. The conductor Kaare Hansen set it all in crisp focus; the producer Marie Lalander was reasonably inventive with the steamy little vignettes of an over-extended childhood. Why any of it should shake our "semi-conscious conception of the self as a single, whole person, "myself"" (as Norgard urges) remained obscure.

**David Murray**

In the Queen's Hall on Wednesday morning, the **Tokyo Quartet** — now with their new American leader **Peter Oundjian** — displayed their well-remembered preternatural polish. There was considerably more than that in their account of Beethoven's G major quartet, op. 18 no. 2, which was cool, taut and knowing. Their cellist combined brilliantly the roles of unyielding anchor and strong individual voice.

In Borodin's Second Quartet, however — surely not natural territory for them — they sounded rhythmically stiff and lyrically short-breathed. The Bartók First was better in well-etched detail than in broad dramatic profile: climaxes and sudden suspensions arrived on schedule, but with indifferent motivation. It felt less like a re-creation of the work itself than a reproduction of their own past performances, though the refined quality of their playing was a reliable pleasure. D.M

# Weddings of inconvenience

AT "the world famous Edinburgh Festival only 44 miles from the cultural capital of Europe," as the advertisements for Glasgow so cheekily put it, the sun, a fair amount of malt whisky and a coven of critics sink slowly in the west. The last few days of the festival see no let-up in the high cultural ceilidh; and coincidentally have dwelt on spectre bridegrooms from playwrights as diverse as Solomon Ansky and Sharman Macdonald.

In *When We Were Women* by Macdonald, author of *When I Was a Girl I Used to Scream and Shout*, the bridegroom is real enough; it is the marriage that is non-existent, or rather bigamous. In Ansky's famous Yiddish tale of possession, the incubus was not quite a bridegroom, merely obsessed with the girl betrothed to another. In both cases feminine identity is smothered by masculine desire.

Macdonald's play is presented at St Bride's Centre by the Royal National Theatre Studio, a mouthful of a moniker for what at times seems a nebulous concern (much of its work is behind closed doors).

The piece is part poetic, part slice of life, neither aspect quite in focus. In wartime Glasgow (though the place seems unimportant) young Isla meets and is wooed by sailor Mackenzie. Their courtship is intercut with Isla's home life which is dominated by her parents, Maggie and Alec. There are moments when the latter teeter dangerously on Scottish working-class caricature. "The years pass," drones Faither, "hye-bye foam," as he shakes up the bottle of ginger beer with which he is meant to dilute his whisky; and Mither laments that her wee black hat will never be the same again. But an old-style marriage is firmly limned, not least in parental advice to the daughter on her wedding day. Women must be both attractive yet pure, put up with the man's unfaithfulness, and *belong*.

The old folk are well played by Henry Stamper and the splendid Mary Macleod, though his pride and her devotion seem very familiar. More interest attaches to queuing for under-the-counter goods (tip the assistant half a crown) which strikes a documentary note soon dispelled by the vision of Isla's wedding dress with never a mention of clothing coupons. What really weakens the play is the womanising Mackenzie's habit of addressing the deity bloke to bloke ("I'm an evil man, eh?"); a tendency which Ewan Stewart portrays with decreasing conviction as the action progresses.

John Burgess directs on one of Alison Chitty's typically economical and allusive sets: furniture, a street lamp, a broad strip of backcloth with the chalked outlines of gables. The whiff of *préciosité* is not avoided when the young lovers tear round and round the stage hand in hand, fleeing from the smartly-hatted woman referred to variously by Mackenzie as Nemesis and his wife Cath. And old-fashioned melodrama looms large when the married and unmarried again-Isla's imminent baby is rejected by her parents. The play ends inconclusively, Isla making a tentative movement towards emancipation from both man and family. Joanna Roth's freshness and directness make one wish that Isla was a more vividly defined character.

The Stary Theatre of Krakow has returned to the Scots capital where in 1986 their production of *Crime and Punishment* was packed out. Alas, the third night of *The Dybuk* played to a house in the King's Theatre not so much thin as anorexic.

Solomon Ansky died in 1920 without seeing his play staged. Written in Russian, it had been translated into Yiddish at Stanislavsky's suggestion that only Jewish actors could play it. This version was lost in the upheaval of the Russian Revolution; the original Russian was then done into Hebrew, and from this the author produced another Yiddish translation. The Stary production, in Polish, aims to emphasise the Jewish element so vital to Eastern European culture for centuries. In fact the misty opening scene, shapes moving ominously in swirling fog, evokes a picture of how the director Andrzej Wajda's *Hamlet* — he has done more than one production — might begin.

More cultural echoes are started with the brooding figure of Chanan, brilliant student of the Kabbala, who asserts that "there is no need to make war against sin" — it should be elevated, much as a goldsmith purifies his metal. This is perilously close to "evil, be thou my good"; and a later Romanticism is conjured by the claim that Satan is merely the other side of God.

A certain atmosphere is worked up for this world where demons and dark spirits wait to hurl themselves on those who utter a forbidden name; or, as the heroine more gently puts it, the souls of people who died before their time still linger. Lea is of course possessed by the spirit of Chanan, though there are no *Exorcist*-type vocal stunts. The lighting creates a closed world of Rembrandt-like interior chiaroscuro. The work has been made into an Italian opera (by Lodovico Rocca); which must perceive theatrical excitement not entirely clear in the solemn, thoughtful and rather respectful production.

**Martin Hoyle**

# Blood

**THEATRE UPSTAIRS**

The Theatre Upstairs has been shut for some months, but the money has been scraped together to re-open this secondary Royal Court venue for an impressive and ambitious first major play by a new young writer, Harwant S Bains. He paints, often literally in blood, the fears, hopes and originating drive of the second generation British Indians in a style both epic and concise.

We start with the torn Indian flag dominating scenes of unruly carnage during the Indian partitioning of 1947. A Sikh boy sees his mother raped and beheaded and is himself spared because his father kills himself as a sideshow for his tormentors. He makes a series of secret vows and promises with his more taciturn little brother in a field of the Punjab, whence they flee to fetch quickly up in Shepherd's Bush, an alien White City, in the 1960s.

The dramatic motor is driven by the contrasting fortunes of the aggressive immigrant Balbir (Paul Bhattacharjee) and his pukka Sikh sibling Manmohan (Dev Sagoo). Conditioned by those first scenes of grim blood-letting, Balbir bludgeons his way to success and respectability while Manmohan, haunted by more religious childhood memories and superstitions, knuckles down as a submissive turbanned floor-sweeper in a packing factory. Balbir falls in love with a Liverpudlian whore (Debra Gillett), sets her to work for him, kills her. Manmohan's wife Surinder (beautifully played by Meera Syal) comes over from the Punjab and is seduced by her animalistic brother-in-law. The last act is dominated by the violent dealings and carve-ups of Surinder's lawyer son Harjeet (Gordon Warnecke), and the paternity issue assumes a symbolic status: who is responsible for this ghastly, privileged, edncated middle-class creature?

All of which should indicate that this is no limp ethnic tract produced out of a positive discrimination policy. Lindsay Posner's production is a succession of riveting theatrical scenes enacted in a stained bare room corresponding exactly to the shape of the theatre. Internecine warfare and rough justice follow the protagonists from the Punjab to Ealing and Southall, where a cricketer's head is delivered in a shoe-box and a white bodyguard is tortured by Harjeet ramming a pistol up his posterior and playing Russian roulette.

An air of ceremony pervades the evening, too. Manmohan reverts to boyhood in his dotage, polishing a tribal sword. The lust of Balbir is unleashed along with his bound-up hair, which is cut by the Delilah whore. The West London lodging house is presided over by an equally alien Eastern European (one of three ebullient cameos by Jimmy Yuill); the walls adorned with a crucifix. Prayer and ritual, Surinder notes, are forgotten in the struggle with cancelled trains and squabbles over job descriptions.

**Michael Coveney**

# BBC Symphony Orchestra

**ALBERT HALL, RADIO 3**

Andrew Davis is very shortly to take over the reins of the BBC Symphony Orchestra from John Pritchard, but what his tenure as principal condnctor is likely to bring still remains to be divined. Davis is hard to classify, difficult to pin down to specialisms. His repertory is wide, with a tendency towards late romanticism and a scattered interest in contemporary music; how that will transfer to an orchestra whose profile needs to be markedly different from that of its independent counterparts in London remains to be seen. His three proms this season have offered precious few clues, with pretty, diverse programmes that have ranged from Beethoven to Rodrigo, Takemitsu to Tippett, with Berlioz the common factor.

On Wednesday Davis closed with Tippett's Fourth Symphony, a fine account of this increasingly unsatisfying work which bristled with vigour, and managed to knit its constituents into a nearly convincing unity. Tighter and more urgent than earlier performances of the symphony, and with the breathing sounds scaled down to a toksn electronic surrogate, it was made to yield more sense than ever before as an abstract musical argument, so that one conld jettison the birth-to-death connotations with which the composer embued it from tha premiere onwards.

But Davis does aim at a decidedly smooth orchestral mix, in which all things tend towards the homogeneons warmth of Richard Strauss. Tippett's orchestration is raw-edged enough to minimise that effect, but in The Royal Hunt and Storm from Berlioz's *The Trojans* the blending and excessivs moulding of the wind lines (thongh beautifnlly delivered by the BBCSO) deprived the music of lts surface texture and special sinewy lyricism.

Earlier Stephen Hough had been the soloist in Brahms' Second Piano Concerto, a thoughtful, measured account, in which Davis led off with solid directness. Hough's playing contained a surprising ration of fluffs; he is a tidy, stylish player, not in my experience inclined to dig deeply into the music, but here he showed a concern for establishing the formal outlines of the concerto, never turning to flashy display or rhetorical bombast. It seemed a view that left plenty of space for future expressive growth, with the bone structure already in the right place.

**Andrew Clements**





## ARTS GUIDE

September 1-7

### MUSIC

**London**

**The Proms.** This year's Proms continue until September 16. Most concerts take place at the Royal Albert Hall, though St Paul's Church, Knightsbridge, and Kensington Town Hall are also used. Tickets for most concerts cost from £3 to £11, and can be booked on 589 8212, 589 9465 (10am-6pm) or 379 4444 (24 hours); promenade tickets are available only at the door on the day of the concert priced at £1-50 or £2.

This week's programme includes Beethoven, Hindemith and Brahms played by the BBC Scottish Symphony Orchestra under Takuo Yuasa (Fri); Glinka, Shostakovich, Tchaikovsky, Johann Strauss, Josef Strauss, Lehár and Kálmán, with the BBC Concert Orchestra conducted by Barry Wordsworth (Sat); Britten's Sinfonia da Requiem, and Mahler's 7th symphony, played by the City of Birmingham Symphony Orchestra conducted by Simon Rattle (Sun); Knussen, Debussy, Minna Keal, Tavener, Mussorgsky, Stravinsky (BBC Symphony Orchestra/Oliver Knussen) (Mon); Prokofiev and Rimsky-Korsakov played by the London Symphony Orchestra under Michael Tilson Thomas (Tue); Bach's Mass in B Minor in a performance conducted by John Eliot Gardiner (Wed); and a programme of Beethoven, Hoddinott and Elgar conducted by Richard Armstrong (Thur).

**Paris**

**Krakow Choir and Philharmonic Orchestra** conducted hy Krzysztof Penderecki, with Barbara Zagorzanka (soprano). Verdi's Requiem (Tue). Salle Pleyel (48043801).

**Paris Ars Antiqua.** Music of the Troubadours, 15th century musicat the court of Burgundy, 16th and 17th court and village music (Mon), French medieval songs, Shakespeare and Elizabethan music (Wed), music from the Crusaders' period, Guillaume de Machaut, golden age of Spanish music (Thur). The Ars Antiqua concerts take place at 7.15pm and 9.15pm in the Sainte Chapelle with its jewel-like 13th century windows (43405517). 4. Bd du Palais.

**Brussels**

**Cathedrale Saint-Michel.** Schola Cathedral and the Schola Abele-Waton, Cantus Gregorianus (Sept 3).

**Cercle Royal Gaulois.** La Follia Instrumental Ensemble and Irina Tseitlin (violin), playing Lully's *Alcidiane et Polexandre*, Vivaldi and Bach (Sept 4) (513 83 20).

*Chapelle des Brigittines.* Brussels Festival Orchestra conducted hy Robert Janssens. Vivaldi (Sept 4) (513 89 40.

**Ludwigsburger Schlossfestspiele**

Württemberg's international festival:

Theater im Forum. Tokyo String Quartet and Barry Douglas (piano). Schubert, Brahms and Borodin (Fri).

Schlosstheater. *Die Hochzeit des Figaro* in Dieter Dorn's production with Joachim Seipp, Verena Schweizer, Marianna Hirsti, Anton Scharinger, Marianne Rorholm and conducted oy Wolfgang Goennenwein (Mon, Wed); Hans Werner Henze's opera *Die Bassariden* with Kenneth Riegel, Wolfgang Schoene, Wolfgang Probst, Michael Austin, Karan Armstrong, Ortrud Wenkel and the Stuttgart Opera Orchestra, conducted hy Garcia Navarro (Thur).

**Frankfurter Feste 1989**

This year's Frankfurt Festival with the title of A Common Brotherhood is based on two historic events: the French Revolution in 1789 and the start of the Second World War II 50 years ago.

The programme with around 100 performances, attempts to explain the historic events and their influence on contemporary culture and society in terms of the struggle for liberty. It starts with an international choir festival with 10 different ensemhles from various nations, accompanied by the Moscow Radio Orchestra, jointly conducted by Wladimir Fedossejew and Gary Bertini.

There will performances of works by Mauricio Kagel, of Britten's War Requiem and Prokofiev's Alexander Nevsky. Experiments, musical theatre, chamber music, exhibitions and open-air music round off the programme. Alte Oper: tickets available on Frankfurt 069/1340-400. Ends Oct 3.

**Stresa**

Settimane Musicali: Teatro del Palazzo dei Congressi. The Berns Chamber Orchestra conducted by Thomas Furi, playing C.P.E. Bach, Mozart, Dowland and Schoenberg (with pianist Christian Zacharias) (Fri); Vladimir Ashkenazy conducts the Berlin Radio Symphony Orchestra playing Brahms and Richard Strauss (Sun); Katia Riccarelli sings Mozart, Locatelli, Handel, Paisello and Vivaldi (Tues) (31095/30459).

**Vienna**

**Haydn Sinfonietta** conducted by Manfred Huss. Haydn, Mozart. Palais Auersperg (Fri, Tues).

**Artis Quartet.** Mozart, Webern, Mendelssohn. Schloss Schönbrunn (Sat).

**Wiener Kammerphilharmonie** conducted by Claudius Traunfellner. Rossini, Shostakovich, Bartok. Taborstrasse 10 (Sun).

**Jess Trio.** Chopin, Liszt, Beethoven. Palais Palffy (Mon).

**Washington**

**National Symphony Orchestra.** Pops concert conducted by Norman Leyden with the Paui Hill Chorale. Ellington, Porter, Cohan (Thur). Kennedy Center Concert Hall (Thur) (254 3776).

**Tokyo**

**Hiroko Nakamura** (piano), with the Yomiuri Nippon Symphony Orchestra, conducted by Naohiro Totsuka. Beethoven, Rachmaninov. Suntory Hall (Mon) (356 9999).

**Keiko Maehashi** (violin), with Tokyo Symphony Orchestra, conducted by Kazuyoshi Akiyama. Prokofiev, Brahms (Tues). With Takahiro Sonoda (piano). Brahms, Bartok, Franck (Wed). *Suntory* Hall (545 9348).

**Japan Philharmonic Orchestra** conducted by Ken'ichiroh Kobayashi. Mahler. Suntory Hall (Thur) (234 5911).

# Sweet Honey in the Rock

**HACKNEY EMPIRE**

Whoever said thst the devil has the hest tunes has not hesrd Sweet Honey in the Rock. A five woman accapella group from Washington DC, Sweet Honey, equipped only with a handful of percussion instruments and five strong, beautiful voices, turned an ordinary musical evening at the Hackney Empire into a joyful celebration of political and spiritual commitment.

The quintet's roots are deep in traditional black American unaccompanied choral and gospel singing, but their sound travels from the soulful blues of Louisiana to the battle hymns of Soweto on a thrilling, intoxicating musical journey.

From the first stop of the bluesy "How long?" sung with dignified grace by the group's founder and leader, Bernice Johnson Reagon, to the political anger of "Ode to the International Debt" and the personal lament of "Oughta Be a Woman," Sweet Honey articulate the needs and hopes of oppressed peoples in a music that engages the mind, seduces the ear and captures the heart.

But above all stands the *sound* of Sweet Honey, the power and flexibility of Ysaye Maria Barnwell's bass voice, the vibrant soul of Nitanju Bolade, the delicate vocal textures of Yasmeen Graham and Aisha Kahlil.

Together, the five display an astonishing musical and personal rapport, most vigorously illustrated on "Denko," a traditional Bambara song from Mali which built from a gentle, sweying opening into a stirring percussive climax of potent harmonic intensity.

Although Sweet Honey see themselves as teachers, preachers and cultural envoys, their performance does not lack humour or colour, as on the sexually ironic "Alla That's All Right, But," with its insistent chorus of "somebody come and carry me into a seven day kiss."

Politically motivated Sweet Honey may well be, but there was no doubting that the solid foundation of their truly uplifting music lies firmly in the gospel soil of the Southern American states. The traditional favourites were there, such as "Waters of Babylon" and "We shall not be moved." delivered with a mighty passion, but it was the lesser-known spirituals that proved most moving, particularly those in the traditional quartet style. "In the Upper Room," written by gospel's first woman composer, Lucy E Williams, displayed Sweet Honey in the Rock at their unparalleled finest. The group plays the Hackney Empire on September 13; fight for a ticket.

**Patrick Harverson**

# FINANCIAL TIMES

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Friday September 1 1989


## Divisions in Germany

MORE THAN in most countries, the normal state of affairs in West Germany is that elections are determined by economic performance. However, as Chancellor Helmut Kohl must be glumly reflecting, times are not normal.

Economic growth in the Federal Republic is likely to be at least 3.5 per cent this year, better than last year, which itself exceeded expectations. Industrial orders are strong, capacity use is at the highest for 18 years and seasonally-adjusted unemployment is at last inching down towards the 2m mark. But all this, combined with low inflation and a record trade surplus, has signally failed to impress the voters. Mr Kohl's Christian Democratic Union has registered an almost continuous series of setbacks since the general election of January 1987. Now additionally burdened by the rise of the far right, the Christian Democrats and their Bavarian sister party, the Christian Social Union, can no longer be sure even of coming close to 40 per cent of the votes.

Not since the Federal Republic's first general election in 1949 (when the CDU/CSU polled only 31 per cent) has the standing of the conservative establishment been lower. The electorate has suddenly become susceptible to a discontent with the established order which cannot be remedied simply by adding a few more digits to gross national product, and notably to an intensified debate about the Federal Republic's ties and obligations to East and West.

### Domestic agenda

As Europe commemorates this week the 50th anniversary of the Wehrmacht's march into Poland, it is obvious that many of the problems faced by today's wealthy Germans reflect consequences of Hitler's war. Whether or not it is true, as Mr Kohl said last week, that changes in eastern Europe, culminating in the latest mass exodus from East Germany via Hungary, have placed the unresolved "German Question" – the post-war division of the nation – on the agenda of international politics, it clearly is now on the agenda of West German domestic politics.

The flight of young East Germans to the West indicates that the scars of national partition have not healed; and dissatisfaction among part of the electorate with the consequences of German partition – including the highly-concentrated foreign military presence on German soil – has contributed to the rise of the far right. Mr Kohl pointed out last week that the three western powers, the US, Britain and France, had special responsibilities here: an indication, perhaps, that the allies may be put to the test in coming months.

### CDU shake up

It was against this background that Mr Kohl moved unexpectedly last week to shake up the top echelons of the CDU's party organisation, replacing Mr Heiner Geissler with Mr Volker Rühe. Though he has denied a swing to the right, his decision was motivated above all by the need to win back traditional conservative voters either abstaining or floating away to the radical fringes. But it is not yet clear whether the move will improve the CDU's chances in three difficult regional polls next year – in the Saar, Lower Saxony and North Rhine Westphalia – in the run up to the general election.

Mr Kohl's difficulty is partly one of managing success. Little comfort though it may be for low-income voters complaining about pressure on housing and social services caused by the tide of East European refugees, the latter are flocking to the Federal Republic because it presents a picture of stability, prosperity and democracy which few would have dared predict when it was born amid the ruins 40 years ago.

But the consequence seems likely to be that, as next year's general election campaign gets under way, the Federal Republic will be increasingly preoccupied by a domestic debate over its external political priorities – just when it most needs to be sure of those priorities in order to play a central role both in the drive to implement the 1992 single market programme and in forging a common attitude towards the momentous changes east of the Elbe.

## The teaching of managers

LEADING American universities such as Harvard and Stanford have been turning out Master of Business Administration graduates for years. Now Cambridge University, after two decades of standing aloof, has announced that it too is to offer an MBA degree. Oxford is expected to make a similar announcement shortly.

This move by Britain's two most venerable universities may seem long overdue, but coming late will have its advantages if, as is likely, they avoid the over-analytical approach which has been much criticised in the US.

The launch of the Oxford and Cambridge courses coincides with a growing feeling in North America that post-graduate business degrees are of little use to business. Mr Henry Mintzberg, professor of management at McGill University in Montreal, has stopped teaching MBA classes. He says he no longer believes in taking an elite group of young managers and filling their heads with academic theory, away from the world of making products and serving customers.

The Cambridge and Oxford MBAs will not, of course, be Britain's first. The London and Manchester Business Schools have been teaching MBAs for over 20 years. Many other UK universities now offer MBA degrees. London has suffered similar criticism to that directed at the US schools; it has been accused of being too academic and preoccupied with research rather than teaching.

### Practical approach

Manchester has demonstrated a more practical approach, making greater use of consulting projects to ensure that its students gain an understanding of real business problems and how to deal with them. The shape of Oxford's proposed MBA is not yet clear, but there are encouraging signs that Cambridge will attempt to mix academic theory with business practice.

Instead of spending two intensive years on their course, as Harvard and London MBAs do, Cambridge students will spend most of their time away from the university, working for their companies or public sector organisations. Their course will be spread over three years and students will spend only one term each year at the university.

Cambridge's practical approach owes much to the presence of Professor Charles Handy on the committee which drew up the university's plans. In a report in 1987, Professor Handy argued that, unlike France, Germany, Japan and the US, Britain had failed to develop a system of management education appropriate to its own culture and traditions.

### National system

Many, including Professor Handy, were disappointed with one response to the report: the establishment of the Management Charter Initiative. The initiative, which aims to establish a national system of management qualifications, was seen as bureaucratic and uninspiring.

Away from the MCI, however, there are signs of an emerging school of management development which is more suitable for the UK. Many employers have asked academics to develop courses which mix theory with practice and which base seminars and projects on the company's own problems. At Ashridge Management College, students spend most of their one-year MBA learning an aspect of their company's business and making recommendations on future strategy.

Supporters of the Management Charter Initiative believe that Britain's management education scene has become too chaotic and that there is a need to impose a coherent framework on the large number of organisations offering degrees. Others see the existing wide range of offerings as a strength, allowing companies and managers to choose courses best suited to their needs.

Managers and their employers will learn by experience which MBA courses are worth doing and which are not. The pressure of competition should help to ensure that Britain's management institutes keep in touch with the real world in which products are made and customers served and thus avoid the mistakes of their American counterparts.

## Anatole Kaletsky on US employers' change of attitude to health insurance

# Why every Chrysler has a $700 health bill

"I NEVER thought I would be in favour of a government health policy, but there are things the government must do. We have to spread the burden."

If Mr Robert Mercer, the former chairman of Goodyear Tire, had made this remark 10 years ago, his fellow industrialists would probably have concluded that he himself was in need of a rest cure. The "socialised" health services of Britain and Canada had always figured prominently in the political demonology of the US business community. It was simply unthinkable for businessmen to call for greater government involvement in what was, after all, the country's biggest industry.

In the last few years, however, the rising cost of medicine has turned into a critical issue for many American businesses. According to the Bureau of Labour Statistics, approximately 90 per cent of full-time workers in companies with more than 100 employees are covered by corporate health insurance plans. Private employers pay for about a quarter of the country's $600bn in medical costs. In the last two decades, provision of medical insurance has steadily extended from Fortune 500 companies to relatively small employers, so that a survey of 9,000 small companies conducted in January by the National Association of Manufacturers found businessmen citing health costs more than any other issue as the "greatest threat to their economic vitality and ability to compete."

It is largely because of health benefits that US labour costs are rising at an uncomfortable 6 per cent annually, despite moderate pay settlements that have kept the growth of average earnings to only 4 per cent. Yet while businessmen obviously prefer a private system, talk of "national approaches" to medicine is becoming commonplace in boardrooms from Detroit and Akron to Hollywood and even Wall Street.

The latest reminder of the corporate medical crisis was a strike against four of the seven regional telephone companies which at its peak in mid August involved 200,000 employees. The dispute held the rapt attention of the business community, because health, rather than pay, has been the main issue.

The Bell telephone system had long prided itself on providing its employees with the best medical package in American business. But with average health insurance premiums rising by 10 to 15 per cent a year over the last decade, the telephone companies decided that they had had enough. In June, AT&T tried to force its employees to pick up part of its $1bn annual medical bill by paying 20 per cent of their health costs up to a limit of $1,000 a year. The company withdrew in the face of a strike threat, but it achieved an unexpectedly modest pay settlement in exchange.

Last month, some of the Baby Bells went where their erstwhile parent feared to tread. Nynex, the company which serves New York and New England, decided to make health costs the central issue in its collective bargaining. Even with the concessions it was seeking, Nynex said that its medical bills would grow by 49 per cent to $3,500 per employee over the next three years. The unions, however, have been equally immovable. Defence of medical benefits has proved far more effective in rallying the members than demands for higher pay.

The US now spends almost 12 per cent of its GNP on health, up from 8.1 per cent in 1981. This represents a crushing burden on the economy in absolute terms; the sum is equal to the nation's spending on education and defence combined. It also puts American businesses, which pay about 25 per cent of the nation's medical bills, at a huge disadvantage against foreign competitors. Canada spends only 8.6 per cent of its GNP on health. The figures for Europe and Japan are even lower.

Chrysler has pointed out that for every vehicle it builds in the US, it spends $700 on employee health care. The comparable figures for car manufacturers in Canada and Japan are $223 and $246, the company estimates. Worse, Chrysler's workforce has shrunk markedly in recent years, while the number of retired workers protected by its health schemes continues to rise. As a result, the company's health costs amount to almost $6,000 for every worker it employs. Meanwhile, Chrysler's Japanese competitors are able to start new plants in the US employing only young workers and carrying no burdens for past generations of retirees. So the cost of health care hobbles the company with a big and growing competitive disadvantage even against Japanese plants on US soil.

Not surprisingly, Chrysler's outspoken chairman, Mr Lee Iacocca, has been America's most vocal critic of the present system of medical financing, going so far as to suggest a Canadian-style system of nationalised health insurance.

Less flamboyant business leaders have also moved, albeit cautiously, in this direction. Ford is currently conducting an extensive study of business attitudes to health care in preparation for a major statement on the subject. The basic thrust of its approach is already clear. The country needs "a national strategy," because this problem of private medical costs "is larger than any one company," a senior Ford executive says.

**Lee Iacocca has gone so far as to suggest a Canadian-style system of nationalised health insurance**

Bethlehem Steel has actually committed itself to lobbying for a "national health policy" in its recently negotiated employment contract with the United Steelworkers.

Other companies, including American Airlines and Baxter International, have gone further, backing a seemingly revolutionary bill drafted two years ago by Senator Edward Kennedy. The bill would require all employers to provide health insurance to their full-time employees.

A few years ago, the idea might have been greeted with alarm. Today, the Kennedy bill enjoys "quite a lot of support," according to Ms Sharon Canner of the National Association of Manufacturers (NAM).

The interest in some kind of legislation stems partly from sheer exasperation. "We simply won't be able to avoid discussion of a national health insurance system in the next few years," says Mr Warren Billings, head of employee benefits at AT&T, although he personally deprecates the idea. "We could get national insurance out of frustration. Employee benefit directors have tried everything to get a handle on the cost problem. Some of us are finally throwing up our hands and saying let the government do the job. I'm not, but give me another year or so . . ."

According to Ms Canner, there are better reasons for why corporate America is looking at national approaches to health. One is that companies end up footing the bill for millions of Americans who fall through the cracks of the US health system. About 37m people are covered neither by private health insurance nor the government-funded Medicare and Medicaid programmes, which cater for the elderly and the very poor. Few are ultimately denied treatment in emergencies. Instead, the costs of treating them are added to the hospitals' overheads and passed on to private patients and their insurers. Last year, the hospital industry's total "uncompensated care costs" came to about $8bn. This may have added up to 10 per cent to employers' hospital bills.

An even bigger financial problem for private employers has been the Federal government's attempts to control its own Medicare and Medicaid costs, which account for 40 per cent of US health spending. Government payments for numerous routine procedures have been reduced sharply since 1981 by classifying treatments into "Diagnostic Review Groups," each of which is subject to a cash limit. But instead of cutting their expenses in line with lower government payments, hospitals have gradually made good the shortfalls by raising their charges to patients who are privately insured. A recent NAM survey found that its member's insurance costs had risen by 30 per cent last year, partly because of this by-product of government austerity.

According to Dr Wendy Gray, a researcher at the Conference Board, another big business organisation, the Medicare-Medicaid problems have been just one example of an exasperating general law of medical inflation. "It is like squeezing a balloon; each time you clamp down on one trouble spot another bulges out of control."

She cites another exampla of this principle. When many insurance companies started requiring second opinions before approving surgery, their costs increased because most second opinions were confirming. "Pbysicians rely heavily on their colleagues for referrals," Dr Gray notes.

There seems to be a fundamental problem at the root of all these disappointments. "Tha tronble is that American medicine is based on a tradition of professional entrepreneurship, not public service," Professor Alain Enthoven of Stanford Business Schools wrote recently in a widely-discussed article in the New York Times.

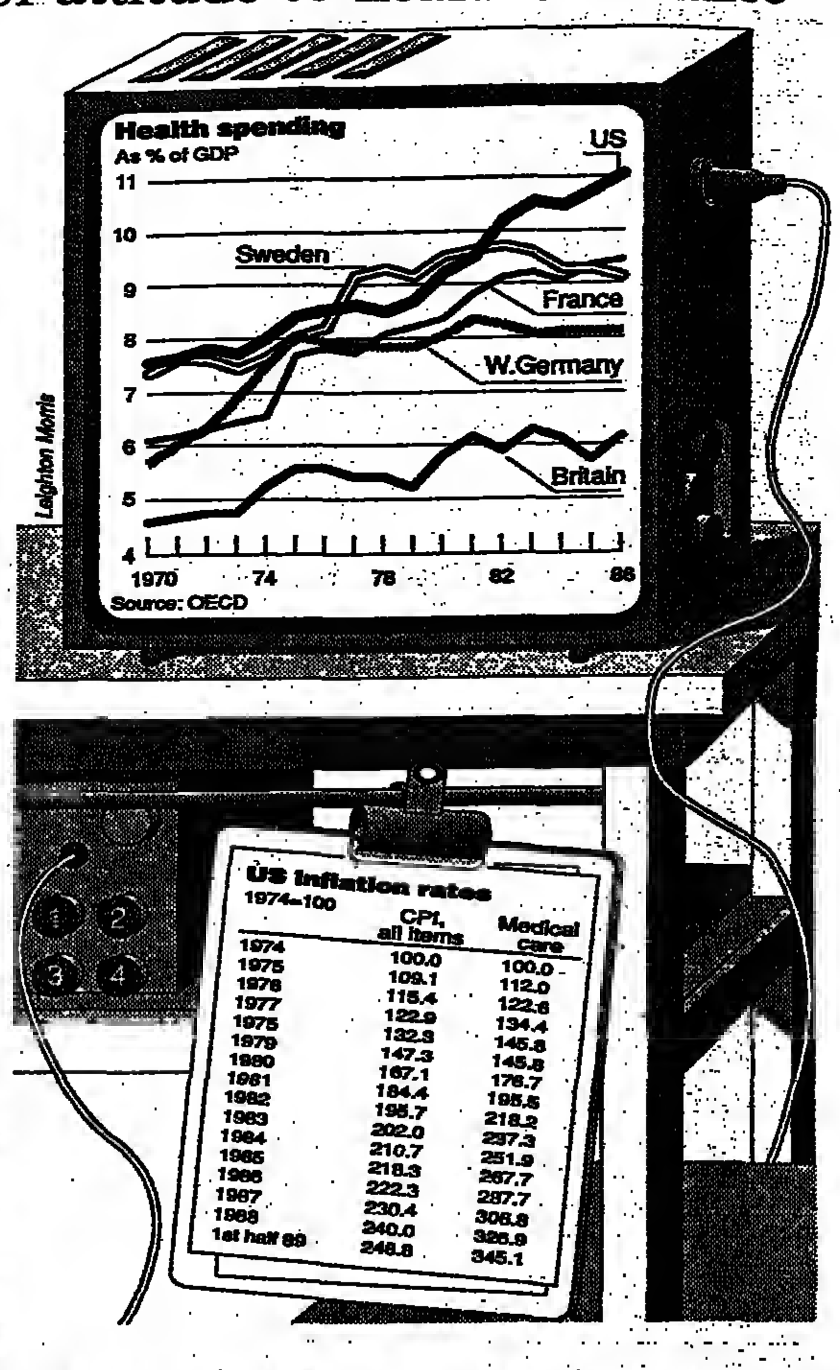
When medicine is a business, treatments are sold as if they were consumer products and hospitals actually stimulate demand for care. Many health experts in the business community conclude that long-term cost reduction may depend on innovations which restrict consumer choice and limit or redirect medical marketing. Three such reforms are widely discussed: shifting the remuneration structure towards preventive medicine; consolidating specialised treatments and costly diagnostic facilities in "centres of excellence" and channelling patients through employer- or insurance-sponsored Health Maintenance Organisations (HMOs) or "Preferred Provider Organisations."

Unfortunately, reforms of this kind are difficult for individual employers or insurers to undertake on their own. Preventive medicine produces benefits only in the very long-term and often looks like a waste of money for individual employers or even insurance companies with mobile workforces and client groups. Centres of excellence are politically unpopular because they demote many smaller community hospitals.

HMOs smack of the British national health system by limiting the patient's choice of doctors and using general practitioners as "gatekeepers" to restrict access to hospitals, specialists and expensive hi-tech treatments. They have been unpopular with unions and employees and have disappointed many of their sponsors with the meagre savings produced. In the context of US medicine, patients subject to HMO restrictions often conclude that they are second-class citizens receiving sub-standard care. This can defeat the purpose of medical insurance, which corporations offer to win their employees' loyalty and raise their morale.

Dr Gray says: "the largest companies have historically prided themselves on providing the best of health benefits to their employees. Many are facing shortages of skilled workers and want to remain competitive at the top of end of the labour market. It is just not politically feasible for them and their insurance companies to take the lead in restricting medical delivery and costs. One way or another the government may have to get more involved."

*Additional research by Rivka Nachoma.*




US inflation rates 1974=100

| | CPI, all items | Medical care |
|---|---|---|
| 1974 | 100.0 | 100.0 |
| 1975 | 109.1 | 112.0 |
| 1976 | 115.4 | 122.6 |
| 1977 | 122.9 | 134.4 |
| 1978 | 132.3 | 145.8 |
| 1979 | 147.3 | 145.8 |
| 1980 | 167.1 | 176.7 |
| 1981 | 184.4 | 195.5 |
| 1982 | 195.7 | 218.2 |
| 1983 | 202.0 | 237.3 |
| 1984 | 210.7 | 251.9 |
| 1985 | 218.3 | 267.7 |
| 1986 | 222.3 | 287.7 |
| 1987 | 230.4 | 306.8 |
| 1988 | 240.0 | 326.9 |
| 1st half 89 | 248.8 | 345.1 |

# OBSERVER

## The return of the General

■ Fearlessly plunging once more into the whirlpool of international diplomacy, Observer returns to the case of the corpse of General Juan Manuel Rosas.

This 19th Century Argentine dictator is buried in England, and the Argentinians want the body back. Given the recent thaw in relations between the two countries, this seems fair enough. But at the risk of upsetting things, we must point out that 150 years ago, the General proposed that Britain could have the Falklands in return for cancelling Argentinian debt.

Rosas governed Buenos Aires for an almost unbroken 23 years between 1829 and 1852. By all accounts a rather less benign version of Genghis Khan, he eventually left Argentina in 1852 for England, where he died in 1877.

An official Argentinian government team has now been set up to press for the corpse's return. President Carlos Menem, no less, has said that the return of Rosas is a vital part of more harmonious Anglo-Argentine relations. Surprised British diplomats have announced that sovereignty over the body of Rosas is ceded to Argentina.

President Menem should be aware, however, that in 1838 Rosas instructed Argentine diplomats in London, as well as his Economy Minister, to propose giving the Falklands to Britain in return for British agreement to forgive and forget a £1m loan organised by Baring Brothers for Argentina in 1824. The Falklands were under British rule at the time, although disputed by Argentina.

The 1824 loan was a rotten deal for Argentina, and doubtless correspondingly good for Barings. Interest was set at an annual 6 per cent and by the time commissions and agents' fees had been deducted, Buenos Aires province was left with only a paltry £530,000.

British diplomats in 1838 took very much the same line as they do today. Possession of the islands was not a matter for bargaining away; though with hindsight, spending the £1m on buying them outright might have saved a deal of expense.

It would be a pity if the General's triumphal return were spoilt by the revelation of his less than total commitment to the islands. More constructively, President Menem might ponder his example; Argentina's present-day foreign debt of $60bn is, after all, something of a burden.

## Special K

■ Jerry Kohlberg, tha 64-year-old father of the leveraged buy-out, looks from his galoshes to his rimless glasses and tiny tie knot every inch a man of moral rectitude, fiscal conservatism and intense privacy. "He is truly a modest gentleman," an associate says. Deep philosophical differences with his partners Henry Kravis and George Roberts hastened their separation in 1987 after some 20 years. Kohlberg went off to do deals "where reason prevails" and the other two, 19 years his junior, embarked on some of the largest, most audacious and highly leveraged deals Wall Street has seen.

Kohlberg remained a non-executive partner in their firm, growing increasingly unhappy about the younger men's strategies. For such a private man to go public with a lawsuit, as he did this week, was a measure of his deep discomfort. "I keep my word and strive to maintain the highest fiduciary standards. I expect the same of others," he said in a confidential memo to his staff. "Simply stated, K and R have violated both ethical standards and our contractual agreement." Some friends of K and R try to portray Kohlberg as a has-been who has failed on his own. "This is a divorce; he's haggling over a bigger share of the pot," says one. Kohlberg's colleagues retort that unlike K and R, he has been doing LBOs the "friendly old fashioned way. He's making money by growing the assets, not by taking big fees or breaking up the companies."


"It says: I speak Moldavian."

## Double board

■ Mr Rnpert Murdoch may have his faults – as which of us does not – but he cannot be accused of frittering his energies away in outside directorships. Harry Gray, then chairman of United Technologies, recruited him for his board in 1984 because he wanted "a man of action, a builder". Having stepped down from the UT board in April 1987, Mr Murdoch has been devoting himself to his own affairs. Consequently, his arrival un the board of Philip Morris has raised a few eyebrows. This is ona of Wall Street's most blue chip stocks, and one of the world's biggest advertising spenders. This may explain why Mr Murdoch, one of the world's biggest media owners, is taking on this extra responsibility. He hardly needs the directors' fees.

## Glasgow rules

■ As students of corporate affairs are well aware, the real drama always comes in the little companies. Take, for instance, the latest circular from Bremner, the shell of a defunct Glasgow department store. The document bears all the hallmarks of the chairman, the impressive James Rowland-Jones, who has twice been ousted from the board and twice fought his way back. Below his signature comes a thunderous disclaimer from three of his fellow directors, dissociating themselves from big chunks of the text as being "subjective, inappropriate and irrelevant to the purposes of this circular".

Previous documents from Mr Rowland-Jones give the flavour of his style. "Dear Fellow Shareholders, Or should I say, Fellow Sufferers ... Don't just moan about the share price, DO SOMETHING ABOUT IT . . . THE CHOICE FACING YOU INVOLVES PERSONAL INTEGRITY AND COMPETENCE . . . YOU ARE BEING ASKED TO VOTE WITH A BAG OVER YOUR HEAD." Perhaps unsurprisingly, study of the fine print shows that he is being sued by various people for libel. He himself is also suing the company for £200,000. "All actions against the Company", says the circular, "are being strenuously resisted".

## Enlightenment

■ Variation on a theme: How many Chicago economists does it take to change a light bulb? Answer: none. The market will see to it.

**Tony Jackson**

POLITICS TODAY


# 'Trust us, we are the Labour Party'

By Joe Rogaly

Britain's Labour Party stands a faint chance of winning the next general election if it promises proportional representation and a Bill of Rights. If not, forget it.

Most political professionals will regard this proposition with disdain. Pure rubbish, the politest among them will say. Elections are about the management of the economy. Some will add that the state of unity of the challenging party is also important. They may give some small weight to the tiredness of the incumbent ministry and the sheen in the Prime Minister's hairstyle. As for the constitution, most people have hardly heard of it. Few understand proportional representation and even fewer give any thought at all to a Bill of Rights. So what am I on about?

I can give a one-word answer: trust. To stand a chance of victory, the Labour Party must win the trust of the educated, bourgeois voters who put the then Mr Harold Wilson into No 10 Downing Street in 1964. Even with their support the now Lord Wilson very nearly lost. According to the polls, Labour stood at around 50 per cent, with the Tories eight or more points behind them, in midsummer 1964. Yet in the October election the Conservatives scored 43.4 per cent to Labour's 44.1 per cent. Lord Wilson had an overall majority of four.

What happened is obvious. Previously disgruntled Conservatives returned to the fold as election day drew closer. For Labour, the necessary edge was provided by a small number of middle-class waverers. By winning them round with his talk of the "white heat of the technological revolution," Lord Wilson scooped in the vital extra margin — just.

The margin will be doubly necessary next time. It is a matter of arithmetic. Some people cannot seem to understand numbers, however often you do the sums. On this occasion I am borrowing the words of David Beetham, Professor of Politics at the University of Leeds, as put in the latest issue of Political Quarterly.

"Any Labour supporter who thinks a 'go it alone' strategy will work, or who imagines we are in a parallel situation to 1959-64," he writes, "should take a hard look at the electoral arithmetic." After the 1959 general election the Tory majority over Labour was 107. Today it is 146. In 1964 there were 80 seats in which the Tories had a majority over Labour of less than 10 per cent, he points out. There are only 50 such marginals now. With a swing from the Tories greater than any since 1945, Labour could win them all — but the Tories would still have a Parliamentary majority. Boundary changes due after the next election would favour them in another 15 to 20 seats for the election after that.

In Professor Beetham's view the choice confronting Labour is therefore between "governing on its own some time in the next millennium, and governing with others in the remaining years of the present one . . ."

I would put his conclusion slightly differently. For there may not be many "others" to govern with. The collapse of the centre parties makes it less likely that they will be in a position to win in many constituencies in the south east of England, where they are traditionally the strongest alternative to the Conservatives. If they carry on the way they are, the Social and Liberal Democrats may end up with no more than a taxi-full of seats to deliver to a potential Labour-led coalition.

Labour's task is therefore to win over former Liberal and Social Democratic Party voters in order to make direct gains in the suburbs under its own red-rose flag. This will seem to some like asking for the moon. It is, if the party's sights are set low. In that mood it is as difficult to imagine a Labour success in such an endeavour as, well, say, the Tories winning three elections in a row, or the Communists being driven to relinquish power in Poland.

The Labour leader, Mr Neil Kinnock, does set his sights high. He is talking as if he were on the way to victory. He had a glorious early summer of burgeoning opinion polls, and is still ahead, if only by the lower margin of five percentage points, according to the latest MORI poll in the Sunday Times. The Government is in trouble, partly over the rise in inflation and the concomitant high interest rates, and partly as a result of unpopular ideological measures, such as the health service review, the water and electricity privatisations and the poll tax.

Labour's hope is that the recent Cabinet reshuffle, with its subsequent row over the removal of Sir Geoffrey Howe from the Foreign Office, will be perceived by voters as a sign of panic by an authoritarian Prime Minister. It may be, but I am prepared to bet that the depth of that perception, if plotted on a graph over the coming year, will correlate closely with the mortgage interest rate.

To pursue the argument from this point we must assume that the Tories manage affairs consistently less well in the second half of their present term than they have for the past decade. If they make a real bosh of it then the electorate may well throw them out, but a realistic worst-case assumption, from the Tory point of view, is that they fail to get inflation back below 5 or 6 per cent, while unemployment starts to rise again and interest rates do not fall much down to the single-figure scale.

In that circumstance it would be necessary for Labour to exert a positive magnetic attraction on voters outside its natural constituency, since it would not be able to rely on a sufficient level of desire by erstwhile Tories to get the Government out. Mr Kinnock might reasonably interject here and protest that he has already done a great deal to make Labour more attractive. His policy review, which will be debated at the annual party conference in early October, provides a menu from which he could select an election manifesto for a European-style social democratic labour party. It would be pro-Europe, and just credible on defence. There would be hardly a whisper of old-fashioned socialism in it.

What is more, during October's conference Mr Kinnock may move the party towards a reduction in the preponderance of the trade union block vote. If he takes the most far-reaching of the plans for reform on offer, he may convince some waverers that Labour is on the way towards becoming a one-person-one-vote democratic party. Surely that is enough?

Not quite. There is still a lingering suspicion that the formerly left-wing Labour leader is really a socialist wolf in social democratic sheep's clothing. His policy review leaves open the possibility of a proportional voting system for a reformed House of Lords and Labour's proposed new regional assemblies, but rules it out for the House of Commons. The new senate would be able to delay anti-democratic legislation on certain fundamental rights, but day-to-day governance through the Commons could be as unbending, and as ideological, as anything produced by Mrs Thatcher. The review rejects a Bill of Rights as inadequate.

Mr Kinnock believes that an espousal of PR now would send a signal that Labour does not believe it can win on its own. That is why he is resisting the 40 or so motions for electoral reform that have come from constituency Labour parties for presentation in October. He is also under pressure from several pro-PR trade unions, not to mention a number of shadow Cabinet colleagues. Mr Kinnock's argument carries less force when he is ahead in the polls: he can say that he believes in fair elections and a Bill of Rights, and that he expects to win an overall majority which he would use to put his beliefs into effect.

There is, however, another reason for the Labour Party's opposition. It wants a turn at governing without any need to form a coalition with anyone. Mrs Thatcher has had hers; why should Mr Kinnock not have his? If he does, why should he be frustrated by a Bill of Rights? Such reasoning had a certain validity when a socialist Labour Party sought to "advance socialism" after each election, but it is not even pretending to want that now. The trouble is that it is still suspected of just such a desire. It is *not trusted.*

It could be, if the party platform picks up motion no 221, from the Workington constituency, and promotes it positively in October. The motion reads: "This Conference instructs the National Executive Committee to offer the electorate in their manifesto for the next election a referendum on proportional representation." Following that one through could be Mr Kinnock's version of the Wilsonian "white heat of the technological revolution."

European monetary union

# Towards a free market approach to Emu

By Giles Keating

Views on the development of economic and monetary union (Emu) for the European Community *range between two extremes.* The "dirigiste" approach involves the early pooling of reserves under an embryonic European Central Bank and an eventual move to central EC control over the size and financing of national budget deficits.

The "free market" approach envisages competition among rival currencies circulating throughout the EC, with fiscal discipline left to the markets.

Supporters of the first view stress market imperfections. A key passage of the Delors Report argues that ". . . market perceptions do not necessarily provide strong and compelling signals . . . the constraints imposed by market forces might either be too slow and weak or too sudden and disruptive."

Yet this is not the core of the conflict. Given the loans to New York in the 1970s and to Latin America in the 1980s, and the rise in the dollar until 1985, the imperfection of markets is undeniable. The crucial issue is: would EC central control help to make up for the shortcomings of markets, or would it merely introduce further imperfections?

The Delors Report and its background papers are concerned with three types of market imperfection:

(i) markets would not impose proper fiscal discipline on countries with large govern*ment deficits, because of expec*tations of a bail-out;

(ii) markets may mistakenly finance unsustainable imbalances, possibly leading ultimately to market closure;

(iii) the potential gains from monetary/fiscal policy co-ordination cannot be realised by the market alone.

On (i), centralised EC political control of fiscal policy would not eliminate the possibility of a bail-out, and would probably increase it. A deficit country could play the game of political brinkmanship to the limit, without having to watch the market's reaction. The history of pork barrel politics in the US Congress illustrates the temptation to finance large handouts to local areas from small rises in federal taxation.

On (ii), governments as well as markets have a poor record of making mistaken, unredeemable loans. Recent debt *write-offs and cash injections* at privatisation give some idea of the scale: £6bn for the English and Welsh water industries; Pta 20bn (£100m) for the two Spanish railway equipment companies just sold to the French group Alsthom; and a write-off is likely for the bulk of the L9,000bn (£4bn) debt outstanding at the Italian public sector steel group Finsider.

If the markets were left to impose fiscal discipline on individual EC governments, a central EC body could comment on the *appropriateness* of national deficits. Internationally, this role is played by the IMF and the credit rating agencies such as Moody's. Market

## Abolition of exchange controls is the only major change needed

anticipations in early 1986 that the latter would downgrade Australia led to a 0.5 percentage point rise in the relative yield on Australia's US-dollar denominated debt, sending a clear signal to the government.

Earlier this year there were similar moves in anticipation of a further downgrading which finally occurred this week. For the US, had the Administration or the Federal Reserve played the role of a *credit* agency by breaking silence and indicating displeasure at the strength of the dollar prior to 1985, it seems unlikely that the currency would have risen to unsustainable levels.

On (iii), international co-ordination of national fiscal policies can offer considerable benefits, especially as the various European *economies become* more closely integrated. However, co-ordination need not mean central control — provided policy-makers in each country take account of the others' objectives. The Louvre Accord, which led to increased fiscal expansion in Japan and Germany, was an example of this.

The experience of the US, where neither President nor Congress has full control over the budget, indicates that determination of fiscal policy at federal level does not guarantee its availability as a macroeconomic instrument. Those who wish to alter US fiscal policy must attempt to move it indirectly.

The Delors Report envisages federally-imposed limits on the size of member nation's budget balances, with a small central EC budget, so there would be less central control over taxes and spending than in the US. Even so, the system would be one of struggle among different powerful groups, closer to the US model than that of France or the UK. It would be vulnerable to a country that threatens to leave the system, or uses political pressure on another issue to bargain for release from earlier fiscal commitments.

In each of the three areas there is ample scope for measures to offset market imperfections without introducing the new problems caused by EC central control. This provides strong support for the free market approach to Emu.

For that approach, abolition of exchange controls is the only important EC-wide legal change needed to allow substantial progress on Emu. This would end government access to captive domestic funds, allowing markets to impose fiscal discipline.

Governments that tried to evade market discipline by continued reliance on central bank finance would put upward pressure on their domestic interest rates, or downward pressure on their currency, encouraging them to outlaw such finance via national legislation.

On the monetary side, abolition of exchange controls, plus (in some countries) amendments to company and contract law, would open the way to *competition among EC currencies* throughout the Community (though no-one would be obliged to accept a currency other than their own).

The free-market approach thus offers the potential for substantial progress on Emu, though not full union, without the need for a new treaty.

*The author is chief economist of Crédit Suisse First Boston, London*

# LETTERS

## Action on long-term unemployment

*From Mr John Philpott.*

Sir, One is pleased to discover from Michael Smith's article (August 30) that the UK Government is considering extending the use of Action and Personal Training plans for the long-term unemployed beyond Employment Training (ET).

Unfortunately it appears from the reported comments of Mr Patrick Nicholls, the Employment Minister, that the corollary of such an extension is still rejected — that is, additional work or training options as an alternative to ET (a programme which remains inflexible, underfunded, and extremely unpopular with the unemployed).

The best alternative would be a comprehensive job guarantee package. This would provide a range of options through which Action Plans could be properly realised; for example, well funded training for those long-term unemployed people who need it, and access to normal jobs via employer-based Compacts for those who do not lack skills, but simply the opportunity to work.

This would require some additional expenditure by Government. But the *net* cost accounting for savings in income support and tax flowbacks would represent only a fraction of the current UK budget surplus, while the gains to economic efficiency and the personal welfare of those helped would be considerable.

We must hope that in the coming months Mr Nicholls will devote some of the time he currently gives to semi-public correspondence on planned policy proposals to a full consideration of alternatives to ET.

In the absence of this, the effectiveness of any wider use of Action Plans will at best be muted, and at worst may appear, to some unemployed people, as yet another means of guiding them toward unsuitable Government schemes.

John Philpott,
*Employment Institute,*
*Southbank House,*
*Black Prince Road, SE1*

## Confusion in water quality measurement

*From Mr George Bacon.*

Sir, David Richardson's article ("Green tendency is poisoning water debate," August 22) correctly stressed the need to verify water quality standards scientifically before using them to judge the acceptability of a public water supply.

I agree that the quality of the UK public water supply is being unfairly compared to an EC nitrate water quality standard, 50ppm (parts per million), which may not be scientifically justified. Unfortunately the public believes that public water supplies which do not fully meet EC water quality standards are unhealthy. In fact the debate is not healthy v. unhealthy water, but healthy v. potentially healthier water. Setting more stringent water quality standards that may not be required will result in significant public expenditure in the mistaken belief that this will secure healthier water supply.

Mr Richardson says, correctly, that the UK water quality standard, and the World Health Organisation (WHO) target, is 100 ppm of nitrate; and that the EC standard is 50 ppm nitrate. He then confuses the nitrate issue by an incorrect reference to US standards for nitrate in drinking water, asserting that the EC is not the most paranoiac when it comes to water purity and imagined dangers, because the US has established a limit of 10 ppm nitrates for drinking water.

Actually, the US standard is based on a different unit of measurement from UK, EC and WHO standards. The US standard is set to 10 ppm nitrates measured as nitrogen; UK, EC and WHO standards are based on ppm nitrates measured as nitrate. For proper comparison, an adjustment is required for the difference in weight of *nitrate versus nitrogen.* The US standard, when adjusted, is not 10 ppm, but 44 ppm nitrate measured as nitrate, which compares fairly well with the EC standard of 50 ppm nitrate measured as nitrate.

Whether or not the UK and WHO target water quality standards of 100 ppm nitrate are acceptable, compared to the US and EC standards of 44 and 50 ppm nitrate, let us hope for less confusion when comparing water quality standards.

George Bacon,
*Stone & Webster Engineering,*
*500 Elder Gate,*
*Central Milton Keynes,*
*Buckinghamshire*

## All the business of war . . .

*From Mrs Beryl Andrews.*

Sir, In the 1930s I worked as a shorthand-typist in the Bank of England. For a great number of young City workers — friends and relatives were a "blue button" in the Stock Exchange, an underwriting clerk and an articled actuary — Friday, September 1 1939 was the day they said goodbye to Threadneedle and Throgmorton Streets, Lloyd's of London and the Clearing House.

Young men who were City clerks on Monday August 28 1939 were wearing uniform and serving in the armed services by the end of the week. Others, not in the Territorials, soon enlisted; and various departments of banks and offices were speedily evacuated from the centre of London.

When more normal life could be resumed in 1945 they were six years older and out of touch with their former peacetime careers. Many did not want to return to their old jobs. They took advantage of Government grants and training to become farmers, teachers, engineers, nurses, doctors.

Just a few nostalgic thoughts to share with your readers . . .

Beryl Andrews,
*180 Sackville Road,*
*Hove, East Sussex*

*From Mr D.A. Poppleton.*

Sir, As we approach the 50th anniversary of the outbreak of the Second World War we remember those who sacrificed their lives for their country. Perhaps we should also remember those who invested their savings in War Loan, also to help their country.

My late father-in-law, for whose estate I act as executor, invested £40 (the equivalent of eight weeks' wages) in War *Loan, receiving the princely* return of 3.5 per cent a year in interest. Although his widow is not in desperate need, it seems morally wrong that it is not possible to have the funds repaid, albeit with 50 years' inflationary loss.

The only recourse seems to be to sell the stock on the open market at about two-fifths of its original face value (barely more than half a day's pay for an average wage earner).

As most purchasers of War Loan must now be either dead or quite old, surely it would be appropriate to allow them or their survivors to have the stock repaid if they wish? The approaching 50th anniversary might seem a very good time to do this.

D.A. Poppleton,
*11 Rookery Drive,*
*Nantwich, Cheshire*

## Dead letter day

*From Mr Tony Barnes.*

Sir, The UK Government could "at a stroke" (or at least at a couple of strokes) take steps to reduce the large trade deficit. It should focus on the very large motor industry deficit.

The annual letter change in the vehicle registration number should be abolished forthwith. It has a dislocating effect on the production and supply of passenger cars in particular, because it encourages multinational producers (for example, Ford, General Motors, Peugeot) to bring vehicles into Britain every June and July, for sale after the August 1 *deadline. They take advantage* of a gap created by the distorting effect of a licensing system which concentrates a large proportion of a new vehicle-buying into one annual splurge.

The second measure would be to cut, much more drastically than hitherto, the level of tax relief for purchase of cars for business use.

*The problem is* that generous tax allowances in the past have enabled this to become an established part of middle class chic — particularly among entrepreneurial groups, buying slightly upmarket foreign cars which bear little relation to any perceptible need.

Common sense suggests that a retailer of socks can manage just as well with a British-made Ford or Rover van as with a fancy, four-wheel drive, station wagon.

Tony Barnes,
*West Sussex Institute of Higher Education,*
*The Dome, Upper Bognor Road,*
*Bognor Regis, West Sussex*

FINANCIAL TIMES
Friday September 1 1989



# Poles look West with envy and resentment

**David Marsh reports from Warsaw on the 50th anniversary of the German invasion**

MR PAWEL LIPKA, a young uniformed door-keeper at the Polish army museum in Warsaw, claims that the 50th anniversary of Germany's march into Poland on September 1, 1939, pre-occupies few of his countrymen. "We would prefer to think about happier things," he says.

On a grey late-August day, his sizable museum, surrounded by a crumbling collection of tank and aircraft relics of the defeated Polish forces, is closing its door early for want of visitors.

Battling against rapacious inflation and an increasingly unpredictable distribution system, many ordinary Poles will, indeed, treat today's ceremonies in Warsaw as no more than a minor distraction from the economic crisis.

The wounds of Hitler's war, however, have not completely healed, and Poland, beaten and divided in 1939 between Germany and the Soviet Union, is still paying the price.

Six million Poles died in the war: 22 per cent of the population, against 12 per cent in the Soviet Union, 1.5 per cent in France and 0.8 per cent in Britain.

Half a century later, the Poles pick over the paradox. The West Germans have risen again to become the strongest economy in Europe. Poland, struggling under its new Solidarity-led Government to throw off the dead weight of four decades of Communist mismanagement, is facing up to economic dislocation not unlike that in post-war Germany.

And, as Poland's new Prime Minister, Mr Tadeusz Mazowiecki, has underlined to a visiting West German delegation this week, the Poles are looking to the Federal Republic for a lead in Western economic support.

There is concern in Warsaw that West Germany has so far hesitated to take a front seat role in marshalling assistance for the embattled economy. Polish officials also voice concern about a new rise in anti-Polish feeling in the Federal Republic, illustrated by recent right-wing statements that Germany still has residual claims on territory annexed by Poland in 1945.

"Something is going wrong," in relations between Bonn and Warsaw, said one top Polish government official.

In Warsaw's central shopping district yesterday, under the shadow of the beetling Stalinist Palace of Culture, Poles remarked on the anniversary piquancy. Mr Miroslaw Sikora, a young man in the company of three other youngsters, said with heavy irony: "We won the war and we can see how well we did out of it. The Germans – they lost it, and look at them now."

West German help for Poland's reform efforts would be welcome, he said. "Of course, the Germans would do it not out of pure sympathy, but because they want to have profits."

An elderly man, Mr Czeslaw Gruzda, said the anniversary marked a "great tragedy." The Germans had not been "punished" for losing the war. Referring to Poles' experience in German labour camps, he asked bitterly: "How much of their wealth has been created by our slave work? If several million people had worked for the good of Poland for several years for only bread and water, we would be in a better state."

German troops in September 1939 lifting the barrier to the Polish corridor into the Free State of Danzig (now the Polish city of Gdansk), an act which started the Second World War.

Mr Stanislaw Manko said the Germans had behaved like "barbarians" during the war. But now, "I consider them as people."

Mrs Eva Kazimierczak also believed the Germans had changed for the better. But she was reluctant to rule out entirely that it could never happen again.

Mr Wojtek Fondelinski said the Germans no longer needed to go to war because they dominated Europe economically. "I have the impression that the situation before 1939 is repeating itself in another sense. The Soviet Union and Germany are dominating in a different form. We are forced to accept it."

As for today's ceremonies, Bonn has failed to send a high level government representative. President Richard von Weizsäcker wanted to pay a great conciliatory visit today, but the trip was blocked by the failure of talks between Bonn and Warsaw this summer on new credits, which has also put back a visit by Chancellor Helmut Kohl.

Mr Johannes Rau, the Prime Minister of North Rhine-Westphalia, who is leading West German representatives here this week, makes clear that the anniversary increases the urgency for Bonn to take action soon on economic assistance.

West Germany these days sends to Poland machine tools, not machine guns. German vies with English as the language of business and money-changing. Queues of visa-seeking Poles outside the West German embassy in Warsaw underline the magnetic attraction of the West. One man outside the embassy yesterday said: "We are still here as Soviet slaves."

Back on the dingy shopping precinct, Mr Zbigniew Zochowski said the most important element in relations between West Germany and Poland was not the anniversary but the sheer difference in living conditions. He added, in a message of hope and envy: "If they can do that for themselves, they can do it for us."

Solidarity ponders trade union role, Page 2

# US to resume talks on LBO taxes

**By Lionel Barber in Washington**

THE US Treasury and the House Ways and Means committee are shortly to resume talks on new measures aimed at reducing the tax advantages of leveraged buy-outs, specifically aimed at the proposed $21bn takeover of BAT Industries led by Sir James Goldsmith, the Anglo-French financier.

While no decisions have been made, Mr Dan Rostenkowski, the Democrat committee chairman, is pressing the Treasury to consider imposing US income tax on the sale proceeds of US assets used for repaying debt incurred in the takeover.

This could affect Sir James's plan to sell some of BAT's US subsidiaries, such as Farmer's Insurance of California.

Legislation aimed at curbing leveraged buy-outs (LBOs) stands a good chance of enactment when the House and Senate agree on a tax package later this month, but it is unclear whether it will directly affect the BAT bid launched by Sir James's vehicle, Hoylake.

Senator Lloyd Bentsen, Democrat chairman of the Finance committee, has proposed limiting tax rebates known as carry-back tax refunds, which were originally designed to help companies suffering unexpected business downturns. This loophole has been used by companies involved in LBOs to borrow huge sums of money so that the consequent interest deductions wipe out profits and produce losses.

Mr Bentsen's proposal would ensure that the carry-back refunds would not be available in cases where one company bought more than 50 per cent of another's stock largely with borrowed money, or where a corporation used borrowed money to buy back large amounts of stock or to issue extraordinary dividends.

Mr Bentsen's support is needed for the Ways and Means committee proposals to stand a chance of enactment, but he has yet to reveal his position. The House committee has tentatively agreed to several provisions, including changing the treatment of certain bonds containing original issue discount, a measure recommended by the Treasury which wants to avoid subsidising excessive rates of corporate debt.

Rod Oram adds from New York: The rash of US airline takeovers is raising concerns at the Department of Transportation about the impact of foreign ownership and leveraged financing on the industry.

"We have serious reservations about heavy foreign investment in domestic airlines and about the effect large debt loads could have on safety," a department official said yesterday.

Reaffirming points made by Mr Jeffrey Shane, the department's assistant secretary for policy and international affairs, the official said the department might take a number of steps if it felt the trends were having an adverse affect.

So far one major deal, the buyout of NWA, parent of Northwest Airlines, has been completed, but others are pending. UAL, parent of United Airlines, is believed to be working on a buyout by management, employees and British Airways. Texas Air's Continental Airlines is for sale, Pan Am and Trans World Airlines are seeking partners. The stock market is speculating that AMR, parent of American Airlines, is a takeover target.

Mr Shane said he was concerned European airlines were trying to buy into their US competitors without the EC making clear what access US airlines will have to Europe.

# Presidential choice risks new tension in Panama

**By Our Foreign Staff**

PANAMA'S Council of State has chosen a new President, risking a further escalation of tensions between Gen Manuel Antonio Noriega, the country's military leader, and the US.

The appointment of Mr Francisco Rodriguez fills the vacuum created by the annulment of controversial elections last May amid violence and widespread accusations of fraud. The present government, led by Acting President Manuel Solis Palma, is due to leave office today, and there is no elected successor.

Mr Rodriguez was Controller General in the outgoing government. Carlos Ozores Typaldos, a leader of the ruling Democratic Revolutionary Party, will be his Vice President.

Mr Jorge Ritter, who resigned as Foreign Minister earlier in the day, said the Council, which includes the cabinet of ministers, was discussing the possibility of new elections within six months.

The US is highly unlikely to recognise Mr Rodriguez's authority, and the decision to install a new President will only widen the gap between the two countries.

Gen Noriega, who dominates the country's government as head of the Panamanian Defence Forces, has been indicted on drugs charges in the US. For the US Government and Panama's political opposition, there can be no political solution to the crisis if he stays in power.

Mediation attempts by the Organisation of American States have failed to solve the crisis. Last night Mr Lawrence Eagleburger, US Deputy Secretary of State, was due to represent a special sitting of the OAS with new proof that Panama has become a centre for drug trafficking.

Just after the May elections, the US reinforced its 10,000-strong garrison in Panama with more than 2,000 combat troops equipped with an impressive display of light armour. In recent weeks, these troops have been engaged in aggressive manoeuvres designed to intimidate the poorly equipped PDF and to try and force a diplomatic solution to the crisis.

General Noriega has responded by threatening to wage a guerilla war with thousands of supporters. "We are on red alert. We are expecting an invasion at any moment," said Mr Enrique Thompson, a militia commander.

Diplomats in Panama say possible US options to increase pressure on Noriega include a ban on Panamanian-flag vessels entering US ports and stronger measures to ensure that US companies withhold taxes due to the Panamanian Government.

THE LEX COLUMN

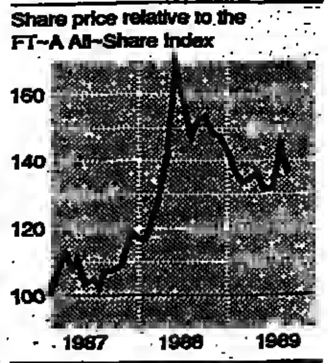
# The market's crush on Cadbury

Cadbury Schwappes mada more money in the last six months than it was making in 12 just four years ago. Its business is hroad enongh to weather an 8 per cent decline in chocolate profits in the UK and still increase the total hy 16 per cent. The acquisition of Crush proves how determined the company is to be bigger in aoft drinks and tha figures show just how good that market is. In short, the message yesterday was that tha company is managing nicely on its own. By the same token, howaver, the attractions of Cadhury Schweppes to a bidder were cast in clearest relief.

The market is still hopelessly stranded between the two thoughts and, as the bid value may be almost twice the fundamental value, any resulting market valuation is going to be a more than usually unscientific affair. Alone, Cadbury promises enough growth in earnings and dividends to deserve a good 10 per cent premium to the market – which might mean a price of 360p or so. Depending on how one valnes tha beverages and how rich one imagines a bidder to be, a takeout price could he anything from 550p to 700p. The musical chairs in the food industry is not over yet. Cadbury is as likely a bet as any, which might suggest that the 413p price is not too giddy. However, General Cinema's recent behaviour suggests otherwise: the company must have a better idea than most of the chances of a bid for Cadbury and its willingness to reduce its stake is an ominous sign.

**Cadbury Schweppes**

Share price relative to the FT-A All-Share Index




Meanwhile there were the usual quibbles with yesterday's nnmbers, but none too serious. It is not pleasing that margins and market share are being lost simultaneously in UK confectionery. But then new sickly delights may make the second half better. Moreover, $220m seems a lot to pay for a business with $9m of assets and just $70m of sales, but if Cadbury can do the same with Crush as with Canada Dry, the price may not be so dear after all.

## GRE

There is something very rum about the carnage in Irish motor insurance responsible for the £12m drop in interim pre-tax profits at Guardian Royal Exchange. Since the late 1970s, its global underwriting record has mostly ontshone those of its peers, not least because of its small US exposure. Yet there have been blemishes, like the professional indemnity claims which scorched GRE in 1985. Its Irish debacle is an example: whatever the official line, the company may have been to hlame.

One accepts GRE's figure of a 50 per cent increase in the freqnency of personal injury claims. Its £8m reserve-addition, causing the high reported losses, is hard to fault. But were the soaring claims a market-wida phenomenon, as GRE asserts, or more narrowly confined to the 16 per cent it covered? Some insurance men on the Liffey are sceptical abont GRE's assertion. On September 12, Hibernian, Ireland's second largest motor insurer, will report results which may clarify things. But this week three Irish insurers raised motor premiums 5 per cent, compared with GRE's nine, a disparity suggesting GRE is under greater pressure.

Dublin underwriters recall GRE as a particularly aggressive competitor, which may have picked up too many risky young drivers. From 1984 to 1988, GRE's Irish premiums grew 29 per cent per annum, far ontstripping its growth elsewhere. It looks like the old story of an insurer dashing for growth in a mature and saturated market, and reaping the ill rewards.

This does not mean sell the shares. At 83 per cent, GRE's solvency margin is close to its 10-year high, protecting dividend growth; and the Irish problem looks containable, in spite of GRE's recent £73m purchase of another insurer there, PMPA. GRE's Irish trauma looks, though, like a parable for other composites to follow.

## Fund managers

The steady decline in the number of independent UK fund managers continues apace and judging by the silly prices being paid, it will continue a while longer. Prolific, very much a second-tier unit trust group, has sold itself to a 1992-conscious Danish financial services company, for about 45 times earnings. Admittedly, Prolific has a life assurance operation and its price tag looks positively cheap when compared with the multiple of about 150 times for Dunedin.

Of course, the current benchmark these days is not profit but price per billion pounds of assets. And here the 5.6 per cent being paid for Prolific's largely unit trust operations and the 1.4 per cent for Dunedin's wholesale fund management business is not out of line with recent transactions. Indeed, Dunedin can boast that it has done slightly better than F&C which sold part of itself to another unknown continental European bank last month. The differenca prohably reflects the fact that instead of F&C's 50:50 joint venture, the British Linen Bank has acquired control, albeit with just 50.5 per cent.

Prolific has been on the block for several months so its sale is no surprise. The depressing aspect of the Dunedin deal is that yet another independent and well-regarded fund manager has thrown in the towel because it does not have critical mass. This may hold true for unit trust managers, but Dunedin is a wholesale fund manager. While being bigger may count for something in marketing terms there is no obvious correlation in investment performance which is what really matters.

## Chartists

It is now official: foreign exchange dealers would do as well to flip a coin as listen to all that guff about heads and shoulders and triple bottoms. While few banks dare to ignore the chartists, the latest research on the subject from the Bank of England suggests that charts are neither to be revered nor feared. Not only do they on average get the movements right only half of the time, they disagree widely enough among themselves to mean that there is little danger of them becoming self-fulfilling.

But this is no victory for those who believe in trade flows, interest rates and so on. As the report justly points out, the two approaches need not be considered as arch rivals. And in any case, if the fundamentalists had been subjected to the same gruelling tests it is most unlikely that they would come out any better.

# Austria set to lift visa constraints

Continued from Page 1

to reception camps in southern Bavaria. It is expected that as many as 20,000 could take advantage of Austria's role as mediator.

Since May, when Hungary started dismantling the barbed-wire fence on its border with Austria, more than 6,000 East Germans, many in their mid-20s, have escaped to the West. Those who were caught by Hungarian border guards have since been looked after by the Maltese Cross, an international ambulance and humanitarian organisation, who have set up emergency facilities around Budapest for the refugees.

Austria's decision comes just a day before the beginning of the school term in East Germany, and those East Germans who did not return home bnt who still fonnd it difficult to cross to the West were likely to faca heavy penalties if they returned late.

However, hoth Austrian and Hungarian officials admit that the prohlem is far from being solved. "This is a political question," a Hungarian official commented.

# London Eurobond market to be electronically monitored

**By Richard Waters in London**

ELECTRONIC monitoring to detect insider dealing and other malpractices is to be extended to the Eurobond market from Monday by The Securities Association, the London regulatory body.

As many as 50,000 Eurobond and other securities transactions a day will be subjected to electronic scrutiny. TSA already operates a similar system for some 30,000 transactions on the London Stock Exchange each day.

The TSA will activate a system known as Cobra (Capture of Bond Reports and Analysis), for capturing information about Eurobond deals and dealings in foreign and UK equities which do not take place through an exchange.

This data will form the basis for TSA's electronic surveillance of the markets.

It said it would be on the look-out for instances of front-running (where firms deal on information in advance of their clients), ramping (artificial price support), insider dealing and other market malpractices.

Much of the information for the surveillance system will be fed direct from settlement and trade matching systems of the Eurobond market. These include the Association of International Bond Dealers' Trax system, as well as the clearing organisations Euroclear, based in Brussels, and Cedel in Luxembourg.

TSA will only scrutinise deals where at least one of the parties is authorised under the UK's Financial Services Act. Nearly 1,000 securities firms fall within this definition. The AIBD said that it would not pass on information about transactions which fell outside TSA's scope.

Most other information for Cohra, which cost £200,000 ($316,000) to build and will cost the same again each year to maintain, will also be collected electronically. Individual firms will he required to feed in details of their bargains by the end of the day following that on which they took place.

To prevent over-regulation, TSA said that firms would not need to report deals which had already been reported to a "qualifying" exchange overseas. These are exchanges which meet certain minimum requirements and agree to share information with TSA.

Eurobond firms played down the significance of TSA surveillance. They said it was unlikely to uncover much malpractice, although there might be some price manipulation in illiquid bonds.

The TSA's existing electronic monitoring arrangements have yielded few concrete results so far. Mr John Young, chief executive, said electronic surveillance did not lead to any of the investigations which have led to the 50 or so disciplinary cases TSA has undertaken. But the system has helped investigations which were prompted hy other factors, he said.

## WORLD WEATHER

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ajaccio | S | 27 | 81 | Dubrovnik | F | 19 | 66 | Malta | F | 26 | 79 | Rhodes | S | 27 | 81 |
| Algiers | C | 25 | 77 | Edinburgh | R | 14 | 57 | Manchester | F | 15 | 59 | Rio de J'o | | – | – |
| Amsterdam | C | 17 | 63 | Faro | S | 25 | 77 | Manila | C | 30 | 86 | Rome | S | 25 | 77 |
| Athens | S | 27 | 81 | Florence | S | 24 | 75 | Melbourne | F | 14 | 57 | Salzburg | S | 18 | 64 |
| Bahrain | S | 36 | 97 | Frankfurt | S | 21 | 70 | Mexico City | C | 23 | 73 | San Francisco | F | 13 | 55 |
| Bangkok | F | 34 | 93 | Funchal | F | 25 | 77 | Miami | S | 28 | 82 | Seoul | F | 27 | 81 |
| Barcelona | F | 24 | 75 | Geneva | S | 21 | 70 | Milan | S | 23 | 73 | Singapore | S | 31 | 88 |
| Beirut | | – | – | Gibraltar | F | 26 | 79 | Montreal | S | 14 | 57 | Stockholm | S | 19 | 66 |
| Belfast | C | 13 | 55 | Glasgow | C | 15 | 59 | Moscow | C | 10 | 50 | Strasbourg | S | 22 | 72 |
| Belgrade | R | 12 | 54 | Guernsey | S | 18 | 64 | Munich | S | 18 | 64 | Sydney | F | 19 | 66 |
| Berlin | S | 19 | 66 | Helsinki | F | 16 | 61 | Nairobi | F | 27 | 81 | Taipei | C | 35 | 95 |
| Biarritz | C | 22 | 72 | H. Kong | S | 31 | 88 | Naples | F | 25 | 77 | Tangier | C | 24 | 75 |
| Bombay | F | 29 | 84 | Innsbruck | S | 19 | 66 | Nassau | F | 33 | 91 | Tel Aviv | S | 31 | 88 |
| Bordeaux | C | 25 | 77 | Inverness | C | 15 | 59 | New Delhi | F | 32 | 90 | Tenerife | S | 26 | 79 |
| Brussels | C | 19 | 66 | Islamabad | F | 33 | 91 | New York | S | 28 | 86 | Tokyo | F | 31 | 88 |
| Budapest | C | 15 | 59 | Istanbul | F | 25 | [illegible] | Nice | S | 25 | 77 | Toronto | F | 16 | 61 |
| B. Aires | C | 18 | 64 | Jakarta | R | 32 | 90 | Nicosia | S | 29 | 84 | Tunis | F | 30 | 86 |
| Cairo | S | 35 | 95 | Jersey | F | 19 | 66 | Oporto | S | 23 | 73 | Valencia | F | 25 | 77 |
| Cape Town | S | 17 | 63 | Jo'burg | S | 20 | 68 | Oslo | R | 14 | 57 | Venice | S | 22 | 72 |
| Caracas | | – | – | Lima | R | 17 | 63 | Paris | C | 22 | 72 | Vienna | S | 19 | 66 |
| Casablanca | F | 25 | 77 | Lisbon | S | 26 | 79 | Peking | S | 30 | 86 | Warsaw | C | 14 | 57 |
| Chicago | F | 17 | 63 | London | S | 18 | 64 | Prague | F | 17 | 63 | Washington | S | 21 | 70 |
| Cologne | C | 20 | 68 | Los Angeles | F | 16 | 61 | Reykjavik | R | 7 | 45 | Zurich | S | 18 | 64 |
| Copenhagen | F | 17 | 63 | Luxembourg | C | 19 | 66 | | | | | | | | |
| Corfu | F | 25 | 77 | Madrid | S | 25 | 77 | | | | | | | | |
| Dallas | | – | – | Majorca | S | 30 | 86 | | | | | | | | |
| Dublin | C | 15 | 59 | Malaga | F | 29 | 84 | | | | | | | | |

*Readings at mid-day yesterday*

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

# SA police raid black offices

Continned from Page 1

and Carltonville. A hlack boycott forced several white husinesses in the towns into bankruptcy.

Yesterday, hlacks gained legal backing for their opposition to petty apartheid in Carltonville, when the Pretoria Supreme Court ruled against the town council's decision to bar hlacks from parks and recreational facilities.

● The South African President will consider releasing African National Congress leader Nelson Mandela after the slections, Mr Kobie Coetsee, the Justice Minister, was quoted as saying yesterday.

He also explicitly stated that the Government does not expect Mr Mandela to renounce violence.

"We are not wedded to the demand that he should distance himself from violance before he is released," Mr Coetsee told the Die Volkshlad newspaper, which supports the National Party Government.

Mr Coetsee said he believed Mr Mandela was a moderate figure in the circles that "we normally describe as revolutionary."

SECTION III

FINANCIAL TIMES SURVEY

Although it is the world's fifth largest nation in terms of population, Indonesia has yet to mature, both economically and politically. Now it appears to be poised for a revival. **Roger Matthews and John Murray Brown** look at this, the biggest, slice of South East Asia.

# Prepared for take-off

FOR THE past 20 years the biggest slice of South East Asia has made almost the smallest international impact, but not for much longer. The sheer size of Indonesia remains harder to grasp than the transformation that it is undergoing.

It stretches from southern Thailand almost to northern Australia. It comprises 13,677 islands which are home to more than 175m mainly Moslem people, the world's fifth largest population. It takes as long to fly from one end of Indonesia to the other as it does to cross the US. It has substantial oil and gas reserves and e vast array of other natural resources, yet all too rarely generates either economic or political interest and has spectacularly lacked a strong international identity. The one island of Bali is almost better known than the whole.

Perhaps it suffered from a surfeit of identity in the first 10 years after the Dutch were driven out in the wake of the Japanese after the Second World War. In those years of living dangerously Indonesia was emotional, ebrasive, aggressive and visionary as it became intoxicated by President Sukarno's twin triangles of expansionary power which internationally linked Moscow, Peking and Jakarta, and domestically the communists, Islam and the army. The ingredients were just too combustible and it has taken much of the last two decades to recover from the violent explosions of the mid-sixties which led to the emergence of the man who still dominates the country politically, President Suharto.

Full political maturity for the present system cannot be claimed until Indonesia succeeds for the first time in transferring power peacefully et the highest level. Its capacity to achieve this has been greatly enhanced by the appreciation that the economy may now be poised to follow the example of its more successful Asian neighbours. Just as nothing will better decide President Suharto's place in Indonesian history than the manner and timing of his departure, so that will in turn be the confirmation of the durability of the country's economic revival.

Countries such as Japan, Taiwan and South Korea, are predictably well aware of the Indonesian take-off and as investors and customers are already a part of it. The message will, equally predictably, take a lot longer to be received in the western part of the industrialised world. Part of the reason is that Indonesia under Suharto has neither promoted internationally (some would say even domestically) its longer-term objectives, nor lauded its own echievements. Yet its economic ministers should feel instantly at home in Mrs. Thatcher's cabinet, at least with the terminology.

In Jakarta, as in London, the talk for the past six years has been all about deregulation, liberalisation, rolling back the state sector, opening up to competition, prudence, caution, good housekeeping and pricing labour as any other industrial input.

The results are now becoming visible. The economy grew by nearly 6 per cent last year after 3.6 per cent in 1987 and should comfortably sustain this figure for mnch of the 1990s. Indeed, the Government knows that it cannot afford to drop much below 6 per cent if it is to provide work for the 2.3m young people who each year will be seeking their first job. It is an imperative which dominates the work of every economic ministry.

Foreign investment commitments to Indonesia soared last year to $4.4bn, nearly three times the level of the previous year, in part attracted hy that vast untapped pool of labour. Last year's commitments amounted to one fifth of the entire foreign investment Indonesia has attracted in the past 20 years.

But foreign capital has also been greatly influenced by the fact that in 1987 for the first time oil and gas contributed less than 50 per cent of foreign exchange earnings as against more than 80 per cent six years ago. Non-oil and gas exports last year brought in $9.5bn of Indonesia's total external earnings of $18.7bn and this year will pull further ahead. Manufactured and processed goods now account for about 80 per cent of the non-oil export sector.

In short, Indonesia is not, and more important is now seen not to be primarily a single resource economy. Oil and more emphatically gas will continue to underpin the economy, but they will no longer be its driving force. The challenges this poses to the Government are considerable because it will increasingly have to face up to the effects of managing a diversified, decentralised, deregulated economy, with the machinery and sometimes people programmed for an earlier era.

President Suharto, the military and Golkar, the principal political party, are in that order Indonesia's power centres united by their commitment to a national ideology designed to subsume all religious, ethnic or linguistic differences. *Pancasila*, as it is called, is a catch-all enunciation of principles through which differences will be resolved by discussion and compromise. According to its interpreters, *pancasila* obviates any need for formal, or even informal political opposition.

There is, of course, opposition from outside the regime but it is largely individual and astonishingly, given Indonesia's vast size, there are no serious secessionist threats. Any threats to stability appear far more likely to come from within than without, and this may become increasingly apparent as President Suharto approaches 1993 and the moment when he must decide whether to stand for another five-year term.

If the Jakarta political grapevine is to be believed many of the military think it is time he accepted honoured retirement. They think he is out of touch with the younger generation (which means he has not always been doing what they want). Earlier this year he published memoirs, parts of which are considered ill-judged, and there is a suggestion he has not sufficiently curbed the business excesses of three of his children who are very profitably and indiscreetly exploiting the family name.

In a country of so many greenhouses there are too few people who can throw stones with impunity, but the issue of the children is one that is difficult to duck. Even so it probably matters less than the ability of those who would want the president out to agree on e successor. The banyan tree is Indonesia's national symbol and even the casual observer knows thet nothing much grows in its shade.

Despite protestations of batons littering a dozen knapsacks, there are few obvious candidates and given Suharto's reputation for political manoeuvring it should not be that difficult for him to muddy the waters if he decided, like other ageing Asian leaders, to be irreplaceable for a few more years.

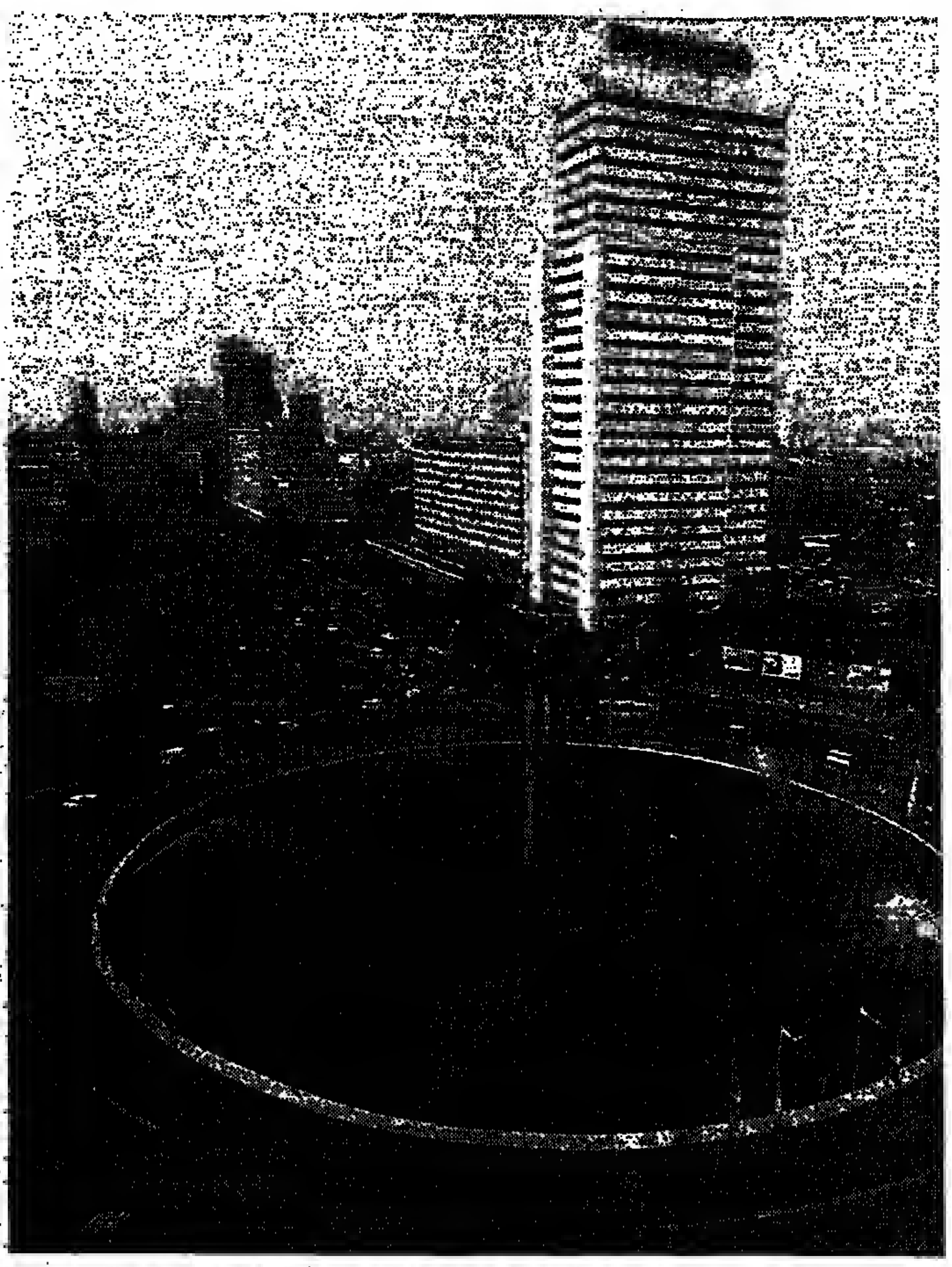
But sooner, rather than later, the country's leadership and especially the military part which has reserved for itself the dual function of defender of the realm and involvement at all levels of government, will have to face up to the consequences of the economic reforms it has initiated. Position, privilege, patronage, and graft, sit uneasily alongside the professionalism, efficiency and flexibility required to run e modern economy. State enterprises can no longer act as the pension funds for semi-retired officers if Indonesia is to develop the industrial momentum it claims to want. And that in turn means facing the highly sensitive issue of the 5m-strong Chinese community who while being widely (and unfairly) mistrusted control an important part of business and provide the most fertile breeding ground for young entrepreneurs.

**Many think President Suharto should accept honourable retirement**

A younger generation of Indonesians has also emerged which knows nothing of the sixties and is not much impressed by the regime's warnings ebout the dangers of communism. Those educated abroad – and they almost all come straight home afterwards – are even more likely to be demanding greater openness and less political rigidity.

Senior members of the regime admit that economic development has to be accompanied by political liberalisation. But in the next breath they say that there is no need for any more "openness", that voting is a bad idea, and that the army is Indonesia's only truly national force which will never be able to relinquish its dual function. As a senior Asian diplomat put it: "They wish to continue running this vast, diverse, archipelago as if it was e small, unitary state."

It would seem to be a formidable, if not impossible task. The path charted for the economy is largely set and will have to be broadly followed. But as Indonesia emerges out of the economic twilight it is going to have to acquire political skills that soldiers rarely consider a substitute for good, old-fashioned discipline. The speed with which they can adapt will help to determine how much impact Indonesia makes on the region during the new decade.



A nation on the move: Welcome monument is the commercial heart of Jakarta

# INDONESIA

## CONTENTS



*Editorial production: Roy Terry*

## KEY FACTS

**Population:** 175m
**Preeident:** Major General Suherto

**Crude birth rete (per '000):** 1965 – 43, 1987 – 29
**Crude death rate (per '000):** 1965 – 20, 1987 – 9
**Life expectancy et birth:** 1965 – 44, 1987 – 60

**GDP per capita (1987):** $450
**Averaga annual growth in GDP:** 3.6 per cent (1980-87)
**Averege annuel growth in inflation:** 8.25 per cent (1980-88)
**Current account balance:** -$1.189bn
**Currency:** 100 sen = 1 ruplah
**Exchange rate** (Aug average): Rp1788.9 to $, Rp2871.03 to £

**EXPORTS:**
**Merchandise exports:** $19bn
**Average annual growth rate of exports:** 14.2 per cent (1980-87)
**Destination of exports:** Japan 41.7 per cent, US 12.9 per cent, Singapore 8.5 per cent, S Korea 4.4 per cent

**IMPORTS**
**Merchandise Imports:** $13bn
**Average annual growth rate of imports:** -2.2 per cent (1980-87)
**Origin of imports:** US 12.9 per cent, Germany 6.7 per cent, Singapore 8.6 per cent

*All figures 1988 unless otherwise stated.*

**Roger Matthews** investigates how the economy has been restructured since 1983

# A country in the right place at the right time

AS EXPLAINED by Johannes B. Sumarlin, Indonesia's deceptively soft-spoken Minister of Finance, the restructuring of the country's economy has been a well thought out, pre-planned exercise which has been progressing logically, step by step, and without political hiccups for the past six years.

It is unlikely to have been quite so straightforward. For not only has Indonesia been grappling with all the problems associated with an over-centralised, heavily bureaucratic economy typical of the 1950s among the newly decolonised nations, but also with the successive impacts of lower oil exports denominated in lower value dollars. World Bank estimates suggest that in the period 1983-1988 the combined impact of those external shocks cost Indonesia an income loss equivalent to 9 per cent of its gross national product.

**BALI, says Mr Johannes Sumarlin, Minister of Finance, has never known a recession. Tourism is one reason. Another, if less well publicised, is a booming textile business, which is said to employ a quarter of the island's 2.5m people and last year won export orders worth us $50m. The figure looks like reaching $70m in 1989.**

**"I am working with 150 machines, between 30 or 40 houses, with 20 tailors to a house," says Elice Seymour, one of the new breed of island entrepreneurs. "You can call Bali small, but we export quite a lot. I do 100 per cent for export. What I can't sell goes in my shop here."**

**It looks like a textbook cottage industry. A button put on here, a sleeve stiched there — it's labour intensive, low cost but not mass-produced. There are no factories or assembly lines and none of the headaches of urbanisation. It helps rural incomes. And central government is generous with the quota.**

**There is only thing holding the industry back — the currently limited cargo space offered by Garuda, Indonesia's national carrier. Using painted batik fabric from Java, Elice produces around 20,000 garments a month. Most of the work is farmed out to 5,000 village workshops.**

**She has sold in Bloomingdale's in New York and Macy's in San Francisco. The Hypermarket in Kensington has also taken her stock. Last year's turnover of $500,000 could double in 1989.**

**Barely five years out of design college — the London School of Fashion — she wants to retire by 1992.**

able 4.8 per cent in 1988, although there was a feeling that the figure might be a little on the low side. On looking again the statisticians came out with an astonishing (rumoured but unpublicised) 7.2 per cent, but on further consideration settled on 5.7 per cent which is now the official figure. Mr Sumarlin senses that growth has accelerated this year and is cagily forecasting a tiny 0.3 per cent increase to 6 per cent. It will almost certainly be higher, perhaps nudging 7 per cent.

The reason for this appears to lie in the individually unheralded but cumulatively important range of measures which have been progressively introduced. These include a substantial relaxation and rationalisation of rules governing foreign investment, the simplification of tax laws, wholesale reform of customs procedures, liberalisation of imports, somewhat more competitive banking, and the most visible change — increased opportunities for foreigners to trade on the Jakarta stock exchange.

At the same time evidence is being seen of the changes wrought in the most fundamental aspects of the Indonesian economy. Despite the richness and diversity of its natural resources it was rightly perceived in the early 1980s as a hydrocarbon-based economy. After all, oil and gas did contribute 80 per cent of its export earnings and about 60 per cent of government revenues. Last year those figures had dropped to 40 per cent and 30 per cent respectively.

Equally important, the quality of the hydrocarbons earnings has improved with less dependence on declining crude oil sales, more emphasis on additional long-term gas contracts which have been agreed with Japan, and further consolidation of Indonesia's world market share likely as new gas fields are brought on stream.

All of these developments suggest that the targets which Indonesia has set itself in its latest five-year plan launched in April can — assuming no dramatic changes in external conditions — be achieved. It is looking for an average 5 per cent growth rate, which will probably be revised upwards next year: a 16 per cent annual increase in non-oil and gas exports: a rise each year averaging 23 per cent in government revenues from sources other than oil and gas: a steady decline in the current account deficit which would drop to $500m in the financial year ending April 1994: a strong growth in private sector investment amounting to more than 50 per cent of the total: an increase in industrial output of 8.5 per cent a year and growth in agricultural production of a more modest 3.6 per cent.

However, these are rather

**Evidence is being seen of the changes wrought in the most fundamental aspects of the economy**

more than figures plucked out of the air by academics. They are only a little more ambitious than the basic growth thought necessary to maintain political stability in a nation where over the next five years some 11.9m young people will be entering the job market for the first time, an annual rate of increase close to the total population of neighbouring Singapore.

The challenge is complicated by the Government's anxiety to make the more than 200 state-controlled companies more efficient and less of a drain on the exchequer. Instead of being a handy sponge to mop up potential unemployment, they have been told that they cannot count on any more treasury handouts and to look at additional methods of funding, including joint ventures and possible share offerings to the public. The least viable may even be allowed to go to the wall. The non-financial state enterprises have been given until early next year to submit their corporate plans which will then be assessed on a case-by-case basis.

The reform of the state sector is seen officially as an essential adjunct to the maintenance of the trend which saw non-oil exports grow by more than 20 per cent last year, from $9.5bn to just over $12bn. Until three years ago most non-oil export growth came from textiles and plywood, but last year for the first time manufactured exports topped 50 per cent of the non-oil sector.

The investment trend is no less promising. Foreign investment commitments soared last year to $4.4bn compared with the previous year's $1.5bn. Of course, it has to be anticipated that a portion of those commitments will never be realised, but even assuming a large fallout figure the percentage increase over 1987 would still be impressive. As officials like to point out, the $4.4bn figure is equivalent to nearly 20 per cent of the total foreign investment received by Indonesia since 1967.

Significantly, Indonesia is attracting considerable interest from Taiwan and South Korea, both of which are beginning to relocate their most labour-intensive industries to countries such as Indonesia where labour for the next decade will continue to be plentiful and cheap. Indonesia has always been in the right place: now it is also there at the right time.

In addition, it did terrible things to Indonesia's external debt. Again, according to the World Bank, the depreciation of the dollar after 1985 added $12.6bn, or 31 per cent, to Indonesia's debt at the end of last year and nearly $2bn to its debt servicing during 1988.

Despite this piling up of debt, now estimated at $50bn (more than 70 per cent of last year's GNP), Indonesia has kept to its interest and repayment schedules and has avoided any sort of foreign exchange crisis. International agencies are full of praise for the achievement and in spite of the overall size of the external debt and debt service ratio of about 40 per cent argue, that it is better structured than many other developing countries with a high proportion of it long-term and concessional.

The virtue of the 1983 plans thus came to be a necessity and in turn a cause for congratulation as the economy headed towards the 1990s, and what Mr Sumarlin very cautiously believes could be take-off. Others believe it might already be clear of the runway.

What may have fuelled the debate recently is the uncertainty about the real rate of growth last year. For a while it was accepted that the economy had grown by a very respect-

Left: Students in the Toyota training school illustrate the foreign investment Indonesia has attracted from countries such as Japan, Taiwan and South Korea. Above: Johannes Sumarlin, Indonesia's Minister of Finance, claims the restructuring of the economy has been a well thought out, pre-planned exercise with no political hiccups.

**John Murray Brown** examines the politics

# System of consultation and consensus

TO BE given the task of explaining Indonesian politics is surely some ancient form of eastern torture.

Even to an Indonesian the political system, like the language used to describe it, is vague and allusive. To the outsider it sometimes seems impossible to fathom.

Indonesia is a vast oceanic society, paternalistic and deeply conservative, where a largely benign feudal framework — with very few ruling over very many — still holds good.

Yet, in word at least Indonesia is also a democracy — in fact if numbers were the judge it could lay claim to being the world's third largest multi-party democratic system, after India and the US. Indonesia's version is what is called "pancasila democracy" — where decisions are reached by "consultation and consensus", and where voting is used only as a last resort.

Democracy in the western sense became a bad name after a turbulent seven-year period in the 1950s when the average cabinet lasted less than a year, and at one time more than a 100 political parties vied for power.

But babits are changing. Some officials even suggest the next president may be decided by voting. Indonesia has now held four general elections since President Suharto seized power in the mid-1960s. The national ballot, which takes place every five years, elects 400 members for the 500-seat legislature or DPR — a further 100 seats are reserved by law for representatives of the armed forces, ABRI. The upper house or Consultative Assembly, MPR, which comprises the DPR plus 500 government appointees, then has the job of choosing a president.

The local press is given to describing the process as a "feast of democracy". In reality, political change by the ballot box is still little more than a statistical possibility while a small military elite backed by a large bureaucracy hold sway over this vast predominantly agrarian nation of 175m people.

**A vast oceanic society, paternalistic and conservative, with a largely benign feudal framework**

Golkar, the government party, won the 1987 elections with more than 70 per cent of the vote — the Government's economic achievement was its platform. The remainder of the vote was divided between the other two officially sanctioned parties — the Moslem-based United Development Party (PPP) and the broadly nationalist Christian-based Indonesian Democratic Party (PDI) which makes much of its past association with the populist former President Sukarno.

This small two-party rump is what officials call the "respectable opposition". As President Suharto makes clear in his recently published memoirs, "An opposition whose basis is solely to oppose, to be different, is not known by us."

Both small parties are officially cultivated in part to offset criticism that elections are stage-managed affairs which merely serve to endorse continued military rule without offering real political choice. The charges are hard to deny, of course, but the rump at least ensures the illusion of broad party consensus in the legislature. Thet illnsion is clearly important for the Government. Golkar's clean sweep of the polls in 1987 may even have embarrassed its military masters.

President Suharto (left) and Defence Minister Benny Murdani — both generals

Historically, Golkar was the military's own creation established in the mid-1960s to counter the rising power of the now banned Indonesian Communist Party (PKI). Under the New Order it provided a useful tool for promoting policy and an election-winning vehicle wheeled out every five years to bolster the consensus.

Today, Golkar appears to have acquired a life of its own — perhaps not wholly at the military's bidding. More importantly President Suharto has indicated that any future leader of the country must bave Golkar support. Of course, what the military thinks is the mathematical unknown in any equation of Indonesian politics. The president is himself a general, as are many of his senior cabinet colleagues. In parliament Abri has its 100 seats. A third of the country's ambassadors and more than half the regional governors are military men, as are the majority of mayors, and many of the directors of state enterprises.

Far from being coy about it, the military's *dwi fungsi* or dual function which entails an orthodox defence task and a role in political and social life, is now firmly enshrined in Indonesian law. General Benny Murdani, the Defence Minister, likes to describe the *dwi fungsi* as "the most misunderstood concept in Indonesian politics". It is, for all that, a unique example of military power institutionalised within a civilian administration.

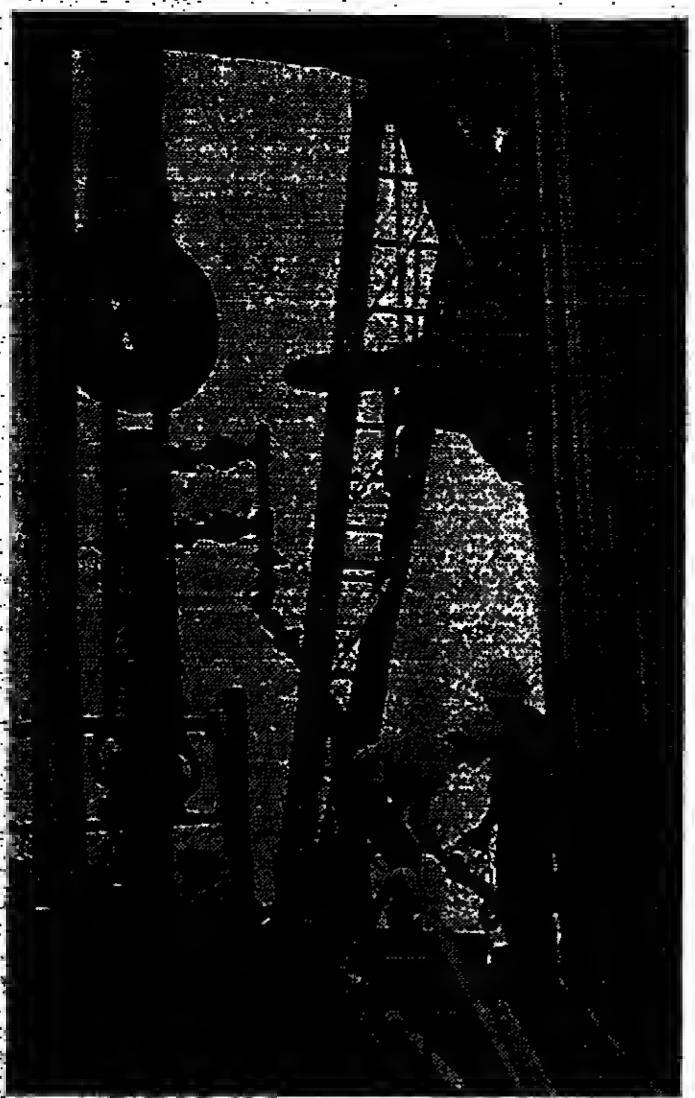
Yet it would be a mistake to dismiss Indonesia's New Order government as an orthodox military regime. Indonesia has many of the qualities of a vast city council, where patronage, financial largesse, and the occasional whiff of corruption, combine with the firm hand of authority to keep everyone happy — well almost everyone. And in some ways it is Golkar with its amorphous corporatist image, more than Abri that seems best placed to play this form of patronage politics.

"Programme has replaced ideology," says Mr Rachmat Witoelar, Golkar eecretary-general, in a well polished phrase. According to him Golkar is not a political party at all — but rather an association of professionals, farmers, workers, women and youth — oh, and the military. Listening to him expound Golkar policy, you would think you were talking with an aid worker, not a politician.

Golkar the party, however, is a political machine. Today it claims more than 25m members — one in every seven Indonesians. Some 9m party cadres have spread an impressive network in rural areas, where most Indonesians live and where elections are made and won. In addition, its formal backing from within the administration, with the support of all 27 provincial governors, the 100 or so regional councils and around 4m public employees adds up to a formidable constituency.

The fact has not been lost on the military which has now installed its man in the top Golkar job, at the same time reinforcing the armed forces party presence — some say Abri broke the rules in the process.

In the end, however, despite all the manoeuvring, if President Suharto ignores the military's apparent wishes and decides to stand again, no one is expected to openly challenge him. In true Malay fashion, any leadership struggle will be conducted off stage. As one senior minister put it, "some sensitive issues are best discussed behind closed doors".



Sumatran pipeline: oil production running at 1.3m barrels a day

OIL AND GAS

# Energy sources in abundance

NOTHING better illustrates Indonesia's changed economic circumstances than the statement earlier this month by Mr Ginandjar Kartasamita, Minister of Mines and Energy, predicting that before the end of the century the country's entire oil production may be absorbed domestically, leaving nothing for export.

While theoretically correct, the minister's statement has to be read for its overall political orientation rather than for the specifics of Indonesia's hydrocarbons reserves. The message the Government wants to put across is that the oil is running out, the role of the state is diminishing, the focus of the economy is shifting to manufacturing and that means modernisation, flexibility and efficiency, qualities for which the state sector in particular has not been noted in the past.

The oil and gas sector is in fact much more cheerful than the minister wishes publicly to admit. Current crude production is running at about 1.3m barrels a day (b/d) exactly in line with its quota agreed by the Organisation of Petroleum Exporting Countries. Of this total about 500,000 b/d is for export, down sharply from last year's average of 800,000 b/d.

Domestic oil demand which last year had shown an increase of around 7 per cent is, however, expected to grow more slowly during the life of the new five-year plan as new non oil-fired power stations come on stream. And with the Government controlling domestic gasoline prices, which historically have a strong impact on demand, it has another powerful regulator.

Minister Ginandjar's own forecasts of the likely trends in international oil prices must also be assumed to make a contribution to policy. The minister is of the school which believes that as several Opec and non-Opec members begin to run out of oil, crude prices will climb sharply again towards the end of the century hitting $40-$50 a barrel compared with the present $16-$17 for Indonesia's Minas crude. If the minister is even half way right then it would pay to conserve known reserves and vigorously encourage international oil companies to look for more, which is happening.

Although quite a lot is known about the geological structures in the western part of the archipelago, there is still an immense amount to be done in the less physically hospitable east. Indonesia's present known recoverable reserves are about 11bn barrels, enough for 20 years at current rates of extraction. The minister estimates potential reserves at 48bn barrels, of which 15bn barrels could be extracted.

To this end Mr Ginandjar has in the past year gone a long way towards easing tensions with the oil companies by negotiating new pricing agreements and offering additional incentives for exploration. The old system whereby the government tax take was related to a fixed annual price per barrel, regardless of market conditions, has been replaced by a new formula based on the average price realised by a basket of crudes over a year.

"The big difference now is that the oil companies have a transparent pricing policy which means that at any one time they know exactly where they are," commented an industry analyst.

The introduction of the new formula in April brought an immediate increase in liftings and contributed to an anticipated 10 per cent rise in spending on exploration this year. Nine new contracts have been signed so far in 1989 and the Government would like to see another five or six. However, oil companies point out that bureaucratic problems in Indonesia continue to make it one of the most expensive places in the world to drill new wells, costing on average 25 per cent more than elsewhere.

But the real excitement for Indonesia lies not with oil, but gas. Liquefied natural gas is poised during the 1990s to become the country's largest single foreign exchange earner as a result of long-term contracts already signed with Japanese companies and others still to be negotiated.

Indonesia is already the world's largest gas exporter and with three new liquefaction plants likely to be built in the next 10 years, officials believe it should have no difficulty in maintaining, or even increasing, its 40-50 per cent share of the international market. The three new trains (liquefaction plants) are planned to come on stream between 1993 and 1998 with Japan and other customers providing most of the estimated $800m financing required and being repaid in gas.

The new sales agreement with Japan is worth an estimated $3bn a year to Indonesia and involves annual shipments of about 15m-16m tonnes. South Korea is contracted to take another 2m tonnes annually and Taiwan will start receiving 1.5m tonnes next year. Some projections suggest that Japanese demand could more than double in the next 10 years, with large increases also expected in South Korea and Taiwan.

Simultaneously, Indonesia is looking at ways of increasing its own domestic gas usage. Mr Ginandjar said that the big Madura find close to Java had been reserved entirely for domestic consumption and plans were being drawn up for an extensive pipeline system which would bring the gas to millions of industrial and private consumers. He said the Java pipeline scheme would be offered to the private sector to avoid a drain on public investment with the Government and consumers paying a toll for using the system.

With still plentiful oil, an abundance of gas, plus massive reserves of coal and options for hydro and thermal power generation, Indonesia itself looks extremely well provided for. But Minister Ginandjar is not taking any chances. Planning is continuing for the country's first commercial nuclear power station which the minister says will be delayed but should still be ready by 2010.

**Roger Matthews**

John Murray Brown discusses foreign policy

# Diplomatic offensive begins

PUT AN Indonesian behind the wheel of a car and he becomes assertive, self-confident, some might even say brusque.

Something similar is happening at a national level as economic development starts to take root, and the country is exposed to new and increasingly western ideas. And nowhere is the process plainer to see than in the conduct of foreign affairs, an area of government which officials used to dismiss as "an elitist ball game".

After years on the diplomatic sidelines there are strong indications Indonesia may be ready to pull off the tracksuit and assume an international position more commensurate with its vast size and population.

Indonesian officials recognise the world is changing — with the emergence of trade blocs in the West and the economic and political changes now consuming the communist East. Indonesia has also been watching with mixed feelings developments in China, a country with which it still has no formal relations.

President Suharto, always a reluctant overseas traveller, appears persuaded of the need for a more upbeat approach. While closer to home the military seem prepared to play out a greater security role, concerned at what is perceived as changing Super Power rivalries in the region.

What this all means for Indonesia's friends is still unclear. And given the regional sensitivities which might be awakened, Jakarta officials are in no hurry to spell it out.

With the West, President Suharto has long been a favourite despite a less than creditable record on human rights. To the foreign policy analysts in Washington his solid achievement since seizing power in the mid-1960s is ample proof of the success of western aid diplomacy and the breakdown of the so-called domino theory in communist Indo-China.

If in Indonesia's own case, economic recovery has been less than spectacular many Asian diplomats concede President Suharto's deliberately quiet leadership has been vital for stability in what has been one of the world's most dynamic economic regions.

President Suharto is not about to launch into a series of grand dramatic gestures — a common feature of the late President Sukarno, his flamboyant predecessor. Sukarno saw the world quite literally as his stage, aligning himself with Moscow and Peking against western imperialism, ultimately with disastrous effect.

But the diplomatic offensive is already under way. After a US visit in June, President Suharto will go to Moscow later in the year, for what will be his first trip to the Soviet Union. He is due in Belgrade for the summit of non-aligned heads of state — the first time he has attended a NAM meeting since 1971. Indonesia is canvassing for the leadership of the NAM, an organisation President Sukarno helped to found.

There are other trips pencilled in. Pope John Paul II will visit in October — the first papal visit to Indonesia since 1974. There is even talk President Suharto is keen to do the Haj in 1990, appropriate perhaps for the leader of the world's most populous Moslem country. Indonesia has already signalled its intention to play a moderating role in the ICO, the Islamic Conference Organisation.

Even the once habitual sparring with neighbours Australia is on the decline, while the queue of Canberra officials visiting Jakarta is lengthening by the day.

**President Suharto has long been a favourite with the West**

Regional security seems the larger objective. Jakarta has been leading the calls for a nuclear-free zone in both Asean and the South Pacific, under the curiously named banners of SEANUFZ and ZOPFAN. At the same time, largely at Indonesia's prompting, Asean is starting to look at the possibility of increased defence co-operation. Indonesia has serious misgivings about a regional defence role for Japan, as the US has been urging. Singapore's move to offer base facilities to the US, meanwhile, prompted further harsh words from Jakarta. In 1987 the Indonesian military voiced concern at Chinese activity in the disputed Spratley Islands.

Ali Alatas: ringmaster for the Kampuchean peace talks

Further east still, Indonesia is looking to improve ties with countries in the South Pacific, aware of its own security concerns with Super Power penetration in that region. In what some western diplomats see as a marked shift in policy, Indonesia supported an Australian-sponsored motion at the UN, calling for independence for New Caledonia, the recently troubled French colony. In late 1987 Jakarta was almost alone in offering assistance to the newly-formed republic in Fiji without formally recognising the regime.

Some contend Indonesia's move to improve ties with its Melanesian neighbours, is merely an attempt to deflect criticism of its policy towards its own non-Malay minorities in both east Timor and Irian Jaya. Indonesia's China policy is perhaps the key. Indonesia is committed to end its diplomatic silence on China and revive formal ties, which Jakarta broke off after accusing Peking of supporting the failed communist coup of 1965.

President Suharto met with Chinese Foreign Minister Qian Qichen in February this year. How far China's subsequent political turmoil has affected developments remains to be seen.

Indonesia's obsession with China is based on regional political and economic rivalries and deep suspicion of Chinese ambitions in South East Asia. Indonesian policy makers fear an economically robust China could use the region's overseas Chinese to influence policy, rather like the US in South America or the Soviet Union in Eastern Europe.

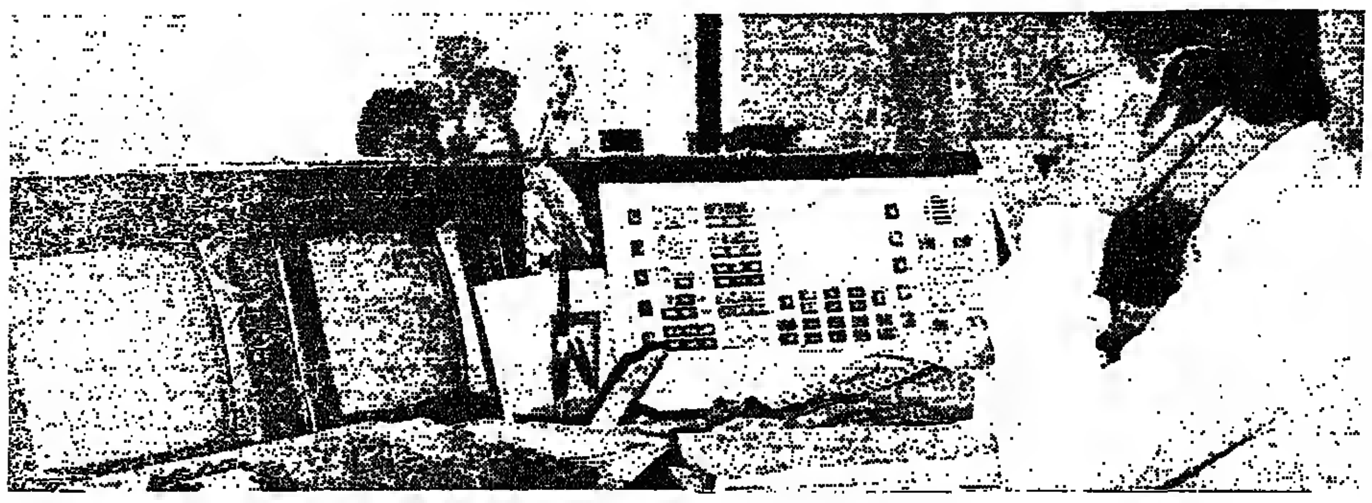
The China obsession goes some way towards explaining Indonesian policy on the other vital issue of regional concern — the war in Kampuchea. Indonesia has taken a lead role in the peace effort there, anxious to use Vietnam as a counter weight to Peking's expansionism, while reluctant to support a solution which would allow further Chinese diplomatic encroachment in the region. In the wake of Vietnam's withdrawal from Kampuchea, Indonesia is urging a comprehensive peace settlement which would create a genuinely independent Kampuchea and also open the way for international aid flows to Vietnam.

In some ways much of the recent policy shifts was anticipated in the appointment of a career diplomat, Mr Ali Alatas, as the new Foreign Minister. Mr Alatas — known more affectionately by the local press as Alex — is a diplomat of proven skill. He was formerly Indonesian ambassador to the United Nations — a forum where there is still muffled condemnation of Indonesia's policy on East Timor, the former Portuguese colony annexed by Jakarta in 1974.

**The habitual sparring with Australia is on the decline**

More recently Mr Alatas has been ringmaster for the Kampuchean peace talks in Jakarta. In July this year he was asked to co-chair an international conference in Paris.

A successful outcome to this bitter 10-year-old conflict would be a welcome tonic for the Indonesians and a timely endorsement for the Government's more activist foreign policy.



Foreign exchange dealing room in e Jakarta bank

John Murray Brown reviews the banking industry

# Learning financial freestyle

THROWN in at the deep eod Indonesia's banks are quickly learning the techniques of financial freestyle. In the wake of the most radical shake-up since the mid-1960s, the country's banking industry finds itself et the ceotre of e wholesale restructuring of the Indonesian economy.

For the older players in this once highly protected sector of the ecooomy the blast of free competitioo has prompted a spate of mergers and acquisitions and paved the way for the arrival of a new generatioo of banks – both domestic and foreign – oow transforming the Jakarta skyline.

If local businessmen at times appear wary of the side effects of bank deregulation, the proverbial Indonesian man on tbs street has no such qualms. Loog bank queues, taxis advertising credit cards, and now the enticemeot of lottery tickets for those opening savings accounts provides a dramatic soapshot of the coosumer finaoce revolution geotly sweeping througb this vast underbanked country of more than 175m people.

The case for a more robust banking system is overwhelming. At a time when the country is trying to release the energies of its private sector, industry is near full capacity and desperately searching for new investment funds as it switcbes to export manufactures in the non-oil sector.

On the otber hand, the quality of loan portfolios at many state and private hanks remains weak. Credit analysis is rudimentary at best. And there is little effective mechanism for collection of loan arrears with non-performing short-term debt often carried on the hooks for more than 12 months disguised as long-term credit. Today at Indonesian banks intermediation costs – edministrative overheads, loan loss and other provisions and gross profit margins – are among the highest in the Asia region. Bank spreads are also large – 5-7 per cent of the total costs of loans, according to the World Bank – all of which adds to the upward pressure on interest rates.

**Blast of competition has prompted a spate of mergers**

More damaging is Indonesia's history of devaluations – the last one a massive 31 per cent in late 1986. As the Government must know only too well, high rupiah interest rates – at between 20-24 per cent consistently higher than the rest of the region – are just not enough to prevent capital flight. What's more, the strategy has been slowly crippling Indonesian industry. With a Government publicly committed to a free foreign exchange system, a competitive, at the same time prudently managed, banking sector is vital for the healtb of tbe rupiah. As always, ths real challenge is to match domestic reform wben economic policy priorities are concerned with problems managing the country's external accounts, which in Indonesia's case stem from the fall in oil prices and the sharp increase in the deht hurden, in the wake of "endaka" - the rise in the Japanese yen.

Structnrally Indonesia's banking system remains a bewildering array of more than 100 separate institutions, ranging from the five state banks, to the 5,800 rural paddy banks and credit co-operatives. Overseeing the financial landscape is Bank Indonesia, the central hank, an institution which comhines the roles of monetary watchdog, using credit control and short-term instruments, with its place as lender of last resort to the banking industry.

In eddition Bank Indonesia – before independence the Dutch-owned De Javasche Bank – is a strategic arm of the development effort, assisting in three private development finance companies, a hoosing finance husiness, a credit insurance company for small business loans, not to mention a commercial bank in the Netherlands.

It also acts as sole lender to Bulog, the government's food logistics agency, a classical markst intervention board which controls the local price of rice and six other key staple commodities.

Before the latest reforms in 1988 more than 70 per cent of Indonesia's banking assets were held in the public sector. The 67 private national banks and 11 licensed foreign banks between them carved np the remainder.

While oil prices held up, Bank Indonesia was happy to channel the government's large oil receipts to the state banks by way of cheap liquidity credits – not always for sound projects. In its 1988 report on the Indonesian economy the World Bank points ont that "a large proportion of tbe bad loans in state bank portfolios falls under programmes supported by BI liquidity credits".

Before the latest reforms state banks also enjoyed a captive market providing a bome for the savings of more than 200 puhlic enterprises. Together these comprised the two principal sources of funds for the five state banks, originally estahlished to service specific sectors of the economy – smallholder farming, estate agribusiness, industry, mining and exports.

Indonesia's private national banks, meanwhile, existed largely to finance the husiness activities of their owners, the wealthy local Chinese, often with few internal controls. The 11 foreign banks – all of them restricted to one hranch in Jakarta – had to be content with remittance husiness or trade finance work for foreign aid procurement contracts.

Earlier reforms of the banking sector were piecemeal in style, often rushed through et a time of crisis, usually to bolster the rupiah and stem capital flight. In 1983 with the rupiah reeling from the external shock of falling oil prices the Government unveiled its first hanking deregulation. Banks were free to bid up interest rates in competition for funds. Credit ceilings were abolished and the role of the central bank in credit allocation gradually reduced. In addition, bank time deposits were made tax sxempt, inclnding those denominated in foreign currencies.

The moves certainly helped mohilise domestic resources. Bnt they also dramatically raised the cost of borrowing, at a time when the domestic recession was just starting to bite.At one point in late 1984 interhank rates reached a heady 90 per cent.

Today the external environment has changed considerably. There is a renewed public confidence in the rupiah, which is being marked down against the dollar. The trade account is going from strength to strength. The foreign debt, while high at $50bn, is considered manageable.

The hank reforms reflect this, with the main thrust on improving competition and efficiency. For the first time the changes allow private banks to hid for up to 50 per cent of the deposits of state enterprises. Controls have been introduced on inter-group lending by private sector banks. There are also stricter requirements on capital adequacy. For the foreign banks there is the chance to open hranches outside Jakarta, and estahlish joint ventures with locals to tap the growing demand for export finance.

**There is a bewildering array of more than 100 separate institutions**

If the reforms are only allowed to take root, Indonesia could see a flourishing of its hanking sector all of which should help to finance the growth of the world's fifth largest nation.

**SOMEONE has coma up with e novel solution to the problem of persueding Indonesians to use bank accounts. A group of Jakarta hanks – epeerheaded by Lippo Bank end Bank Central Asie (BCA), the country'e largest private bank – is tempting depositors with e Rp500m lottery in a hid to raise savings levels, still a pitiful 1 par cent of Indonesian GDP.**

**With a tickat tor juat Rp10,000 deposited in the bank, you have the chance to win a top prize of Rp150m – a fairly staggering multiple in anyone's book.**

**"The basic idea is just to get people to travel to the bank," says Mr Marcus Pramadi of BCA. "If the interest is all we offer, it doesn't even pay the parking costs." Few people hava bank accounts. Still fawar meke uea of cheque booke. Credit cards are eomething quite new.**

**Until recently it was common to go to the tax office with a wad of notes to make your annual return. PLN, the state electricity utility, and Perumptel, the puhlic talephones, demanded cash settlemant. The watar company stitt does. Howavar, the rasponee to this lataat scheme has been drametic. Lippo attracted 300,000 new depositors in the first month since starting the schema in June. Mr Adam, the manager of one downturn branch, said volume had gone up hundred times. "Banking is becoming a culture," he predicts.**

Roger Matthews looks at the stock exchange

# Domestic interest quickens

THE British "yuppie", caricatured during "Big Bang" as driving a Porsche bought with his fat fee for transferring from one financial institution to another, appears to have spawned an Indonesian equivalent. So explosive has been the growth of interest in Jakarta's hitherto morihund stock exchange that within months of limited deregulation one of the most critical problems to have emerged is the lack of qualified staff.

"Even people who are not qualified to do the joh are insisting on transfer fees," said a foreign broker. "And on top of that they are also demanding Singapore-level salaries." This ooe anecdotal example underlines, as London has subsequently done, both the immediate rewards and the later risks of deregulation.

But there the comparisons with London hegin and end. For five years until last autumn the Jakarta exchange had not welcomed a single new issue to join the then 24 listed companies. Days passed without a share changing bands.

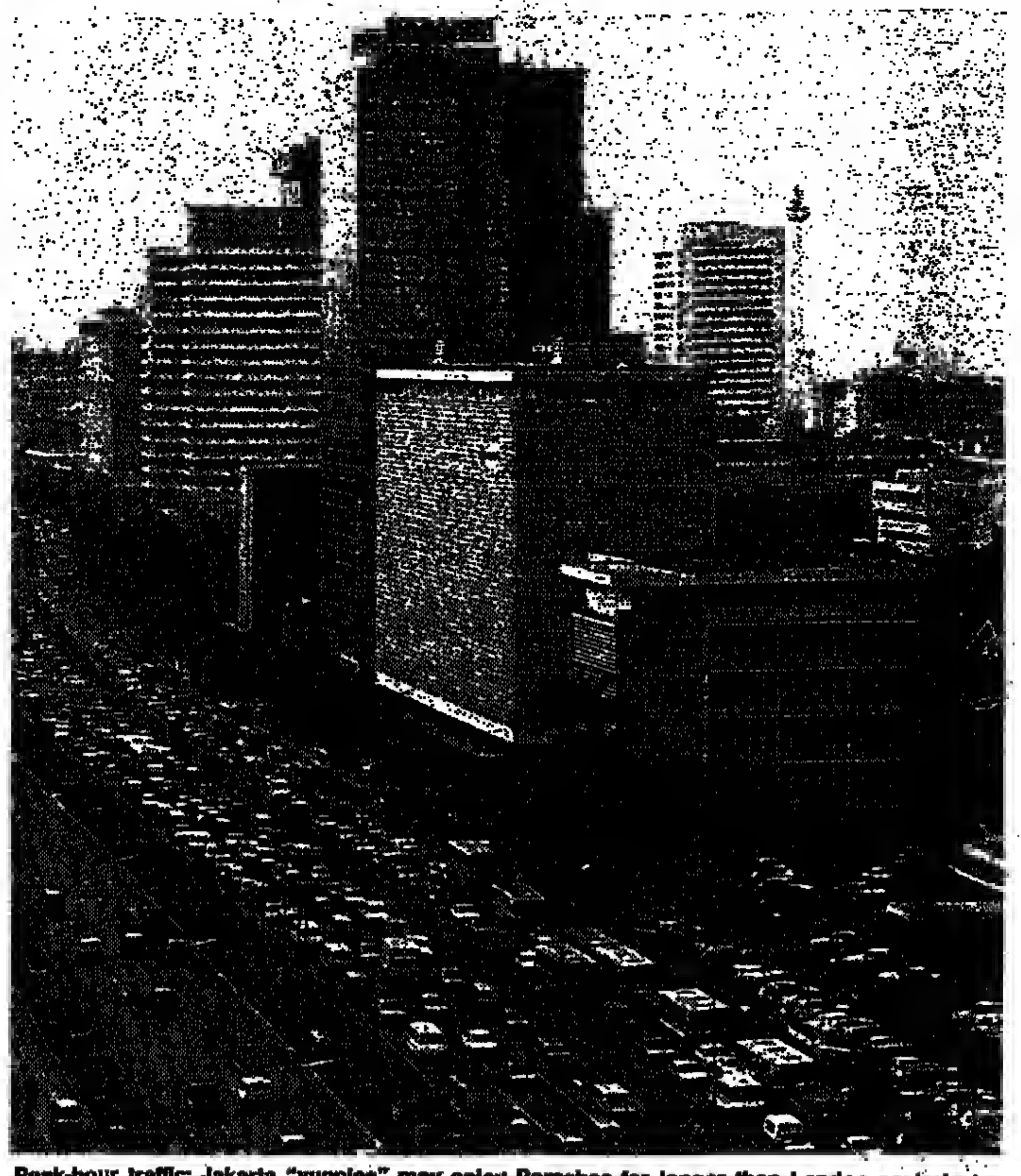
Now companies are coming to the market at the rate of two e month and the optimists believe there could be enough in the pipeline to maintain the present momentum for most of next year. Market capitalisation, currently standing at about $550m, could even top $1bn by the year-end.

While this reflects renewed domestic interest in the stock exchange, it is a better indicator of the impact of foreign money on a notoriously illiquid market. The easing of the regulations under which non-Indonesians mey purchase stock has helped, hut it was the combination of wider financial deregulation last October and the foreign interest these changes provoked that cansed the extraordinary surge in the market in December. From 152.47 early in the month, the composite index raced to a peak of 442.2 on December 20.

The index has since behaved somewhat less erratically although its method of calculation can still lead to hizarre gyrations. For example, an across-the-board increase in prices on a single day has resulted in a sharp fall in the index because of the simultaneous inclusion in the computation of the index of a large new block of listed shares.

Other problems also need to be addressed. There are still no clearly written rules (as distinct from oral statements) about the permitted levels of foreign participation in newly-listed companies. Officially, foreigners are allowed to acquire up to 49 per cent, except in the case of foreign joint ventures. Theoretically, that would allow foreign institutions and individuals to acquire, for example, the full offering if an Indonesian company was making just 30 per cent of its shares available to the public. However, it is improbable that such an outcome would be acceptable.

It had heen ths case that companies involved in retailing were also off limits for foreigners, hut it has now become a grey area with underwriters and brokers sometimes giving contradictory advice on whether foreigners will he allowed to tender for shares.



Peak-hour traffic: Jakarta "yuppies" may enjoy Porsches for longer than London equivalents

Companies can also be slow in issuing share certificates and there have been examples of trading beginning before investors had been given tangible proof of ownership.

Given such caveats, why all the foreign interest? In part it is because of lack of alternative, comparable opportunities in South East Asia. "This market is not currently driven hy fundamentals," commented a hroker. "It is driven hy the imbalance between supply and demand. Perhaps it is relatively high risk, but where else have yon potentially such good rewards.

"There are foreign players stagging issues here without knowing the first thing about the companies involved bnt showing a profit of 50 per cent in a fortnight. Some local stags are doing the same thing. There is nowhere else in Asia where yon can do that. What will really test this market would he a few quite hig issues. Then we will really see what depth Jakarta has acquired."

However, there are also some more basic, longer-term assessments heing mads. Recently imposed limits on the exposure that a local bank can havs to any one company will increasingly mean that some of the more cosy family relationships will have to be loosened. Ambitious Indonesian companies, perhaps also with plans to expand overseas, will be looking for additional sources of capital.

Political factors may also come into play with some larger companies, which have done particularly well under President Suharto, perhaps opting for a wider spread of public participation as a hedge against less favourable developments. The quickest and most patriotic way could be to psrmit more Indonesians to share in the company's success.

Some of the less obvious obstacles to going public are also likely to diminisb in the years ahead. At the moment a company can apply to be listed only if it has been profitable for the previous two years. As many companies keep two or more sets of books, and the one shown to the tax authorities may well indicate a trading year of unrelieved gloom, it will take a while for some groups to assess which path to take. One way to spot those companies planning to seek a listing will be to watch for sudden reversals in published performances.

**Companies are now coming to the stock market at the rate of two a month**

The lack of real disclosure by companies will, of course, severely handicap the work of newly-employed researchers, hnt some foreign hrokers express confidence in managements of highly-geared companies which have shown impressive results over the past four years despite intsrest rates running at 20 per cent.

It may be factors such as this that are attracting internationally respected names to Jakarta. Jardine Fleming Securities this month became the first foreign firm to be given a licence to become a non-deposit-taking financial institution in conjunction with a local partner. This will give the firm the right to apply for membership of the local Brokers and Dealers Association which in turn will allow it to apply for a seat on the exchange, expected to cost in the $100,000-$150,000 range. Other companies are expected to follow the Jardine Fleming example.

Banque Indosuez last year launched the first foreign equity fund for Indonesia, later followed by a $25m Jardine Fleming fund which by this month had acquired enough stock to be 75 per cent invested. In common with other issues, the Jardine Fleming fund was substantially oversuhscrihed, attracting orders worth $40m.

Thus it may be that the Indonesian "yuppie" will enjoy his Porsche for rather longer than some of his British contemporaries, comforted also by the knowledge that in October 1987 the Jakarta stock sxchange ignored the rest of the world, ending the month more strongly than it started.



INDUSTRY

# Primed to play a leading role in the future

INDUSTRY has pleyed a relatively minor role in Indonesia's economic growth during the past 20 years. However, during the latter half of this decade the pace has quickened to the extent that last year Industry contribnted 18.4 per cent of gross domestic product and could well account for a fifth of GDP within the next two years.

Although Indonesia still has a long way to go before acquiring the critical mass which provided the platform for economic take-off in Thailand and Malaysia – hoth of which also have a strong natural resource base – the main thrust of government policy is directed towards that end. It is not so much e question of choice, hut one of necessity.

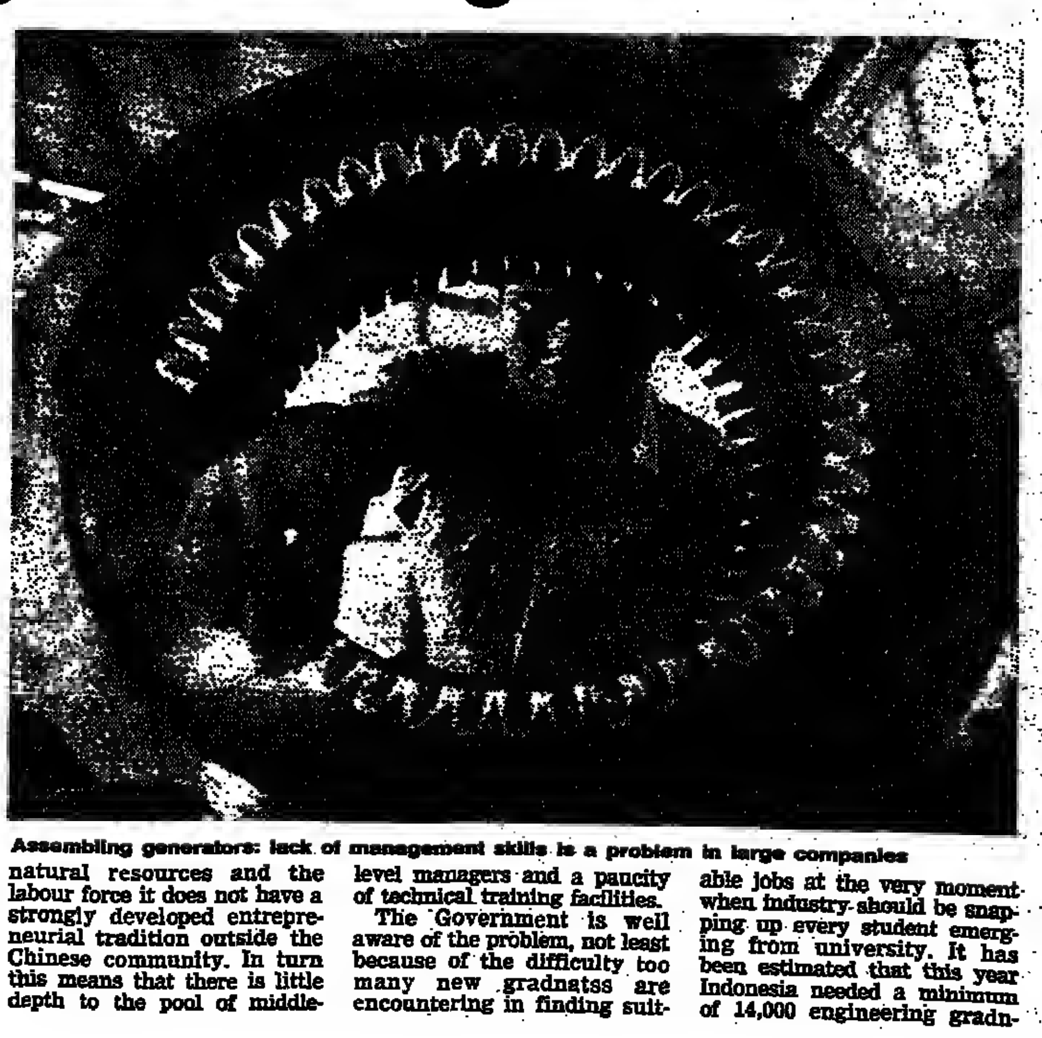
Industrial developmeot is going to be one of the main spooges for mopping up the flood of new labour coming on to the market each year. Industry Minister Hartato exudes cheery confidence that the economy will be able to absorb 2.3m entrants e year, although based on criteria which count part-time workers as employed.

Indonesia's traditional industries are particularly suited to the task, especially textiles and finished garments, which are enjoying a hurst of new investment as countries such as Taiwan and South Korea join Japan in selecting lower-cost sites for labour-intensive work. The aim is to double annual exports by 1994 to nearly $3bn. Wage rates in Jakarta are only a third of those in Thailand which hes heen one of the main magnets in South East Asia for foreign investment. There is the additional advantage that such work can fairly easily be sited in both urban anó semi-rural communities where much of the new workforce is found. According to official figures investment In new textiles factories created more than 30,000 new jobs.

Other traditional activities based on Indonesia's wealth of netural resources such as paper pulp and plywood are also showing rapid advances. Minister Hartato said exports of paper and pulp had shot up hy more than 200 per cent last year and further strong gains were reported for the tyre industry, other ruhber derivatives, processed foods, beverages, and tobacco products. In Irian Jaya, the new P.T. Astra Scott Cellulose joint venture is investing more than $650m in facilities capable of producing 1.4m tons of wood chips a year and 350,000 tons of pulp.

The export of raw rattan was banned earlier this year in a bid to stimulate the development of the furniture industry with the Government pointing out that while Indonesia was the source of 80 per cent of the world's supply it had only 5 per cent of the trade in finished products. Investment in the industry is said to have accelerated sharply this year and there are hopes it will enjoy the same rapid growth as plywood following the ban on export of logs.

But while Indonesia has the natural resources and the labour force it does not have a strongly developed entrepreneurial tradition outside the Chinese community. In turn this means that there is little depth to the pool of middle-level managers and a paucity of technical training facilities.



Assembling generators: lack of management skills is a problem in large companies

The Government is well aware of the problem, not least because of the difficulty too many new gradnatss are encountering in finding suitable jobs at the very moment when industry should be snapping up every student emerging from university. It has been estimated that this year Indonesia needed a minimum of 14,000 engineering gradnates. Other forecasts suggest it might still be 2,000 a year short by the turn of the century.

Lack of a range of management skills can perhaps be better disguised in small and medium-sized companies hut tends to show up rather more starkly in large projects. Indonesia has had a particularly unhappy experience with its largest steel project, a cold rolling mill joint venture between the state steel company, a Belgian contractor and a local company part-owned by Mr Liem Sioe Liong, the best known husinessman. The Government has provided $75m to bail out the project.

It came at a particularly unfortunate moment for the Government which has embarked on a campaign to hreathe the message of efficiency and profitability into the 214 non-financial state enterprises which range across most aspects of the economy.

Although some perform reasonably competently, too many others are using less than 50 per cent of installed capacity. Some have offered comfortable retirement positions for former military officers and have become a drain on the national exchequer. One of the favoured Government options is for the private sector to be encouraged to set up joint ventures with the state enterprises, although both partners are likely to view the prospect with caution until it is seen how determined official policy is.

**Roger Matthews**

COMMODITIES

# A country of agricultural abundance

**BULL frogs are big business in Batam, the Indonesian island 12 miles from Singapore. Soon crocodiles will be, too. Since 1987 a frog farming venture has been under way with the aim of exporting frozen legs to Europe and especially to France. The target was 1m frogs croaking in 500 ponds and contributing $2.5m worth of legs a year.**

**But what to do with the other bits of the frogs not being exported? The answer is to feed them to crocodiles being bred in neighbouring ponds. The crocodile skins will then be used for shoes, belts and bags, and the rest of the beasts will be ground up and, yes, fed to the frogs. What is known in the business as a sound environmental chain.**

THESE days it would be easier to name the commodities Indonesia did not produce. Already a leading player in rubber, palm oil and coffee markets, this vast archipelago is fast becoming an important cocoa and coconut grower, is the world's fourth largest producer of cassava, and is a leading supplier of tea — not to mention its centuries' old reputation as the home of spice.

In Java they say you only have to put a stick in the ground and it will produce flowers. The volcanic spice islands of eastern Indonesia were once the cause for colonial wars until Monsieur Poivre, the Frenchman who later gave his name to pepper, smuggled out a few nutmeg and clove seeds to end the spice monopoly.

Today in Indonesia agriculture is still an important part of the economy. Under the current Repelita — the five-year plan to 1993 — agricultural production is projected to increase by 3.6 per cent a year. In spite of the rapid growth in manufacturing, agriculture will still account for 21 per cent of gross domestic product in 1993.

The estate or cash-crop sector is expected to play its part, contributing to the growth in non-oil exports, which the Government expects to rise by 15 per cent annually. It is also seen as a vital source of rural employment at a time when more than 11m young Indonesians will be joining the job market over the next five years.

After a number of poor years, Indonesian plantation commodities are staging a strong recovery. Rubber prices have been boosted by rising demand for surgical gloves in the wake of the Aids scare. Growers, however, are concerned that with low petro-

**In Java they say you only have to put a stick in the ground and it will produce flowers**

leum prices, they may lose market share to synthetic oil-based rubber products.

In world vegetable oil markets, palm oil increasingly provides a cheap and versatile alternative to soya bean. Prices surged to all-time highs in 1988 - largely a reaction to the US drought which devastated the American soya bean crop. Even the Jakarta tea auction, held every week in Hotel Indonesia, is attracting renewed interest, with Soviet buyers acquiring a taste for the Sumatran-grown Broken Orange Pekoe Fannings.

Government policy on commodities has always been very conservative. With one eye on its huge domestic market, Indonesia is cushioned against sharp movements in world prices, something which cannot be said of neighbours Malaysia. For example, in palm oil, the leading tree crop, domestic demand accounts for more than a third of total production of some 1.6m tonnes and is set to grow by 8 per cent a year. Domestic consumption of tea and coffee is also growing. Also set to expand is the local processing of rubber, which today accounts for less than 10 per cent of the 1.2m tonnes Indonesia produces.

With more than half the labour force involved in the farm sector, the Government has sought price stability rather than high prices. It reacts coolly to attempts by Malaysia to control markets. Indonesia's experience with the International Coffee Agreement, for example, has been particularly bitter, with its present quota covering barely half its annual production of 6.4m tonnes.

Tapping rubber tree

Indonesia's pre-eminence in commodities can partly be traced to the Dutch colonial period, when the jungles of Sumatra were transformed into a vast commercial garden. An account at the time described it as "one of the greatest feats of tropical capitalism". Indeed, it was the Dutch-run Sumatran estates which supplied the very first oil palm seedling to the Malays, now the leading producers and exporters in the $2bn a year world palm oil trade.

Today Indonesia's Deli estates of north Sumatra are still the driving force of the sector. Medan, the plantation capital, is growing faster than any other Indonesian city, its shabby colonial grandeur giving way to new supermarkets and banks.

Despite earlier political upheavals — with the nationalisation of all foreign-owned plantations in the mid-1960s — foreign interest still accounts for 22 per cent of total investment in agro business in Indonesia. Socfin, the Belgian company, and London Sumatra, a subsidiary owned by Harrison and Crossfield Group of the UK, were quick to return to their holdings. Goodyear, the US tyre company, and British American Tobacco followed. The most recent arrival is United Kingdom Indonesia, owned by Anglo Eastern Plantations, a company floated on the London Stock Exchange in 1985. An even greater number of the old colonial estates are now owned by state companies — many among the best run plantations in Indonesia.

Perhaps mora significantly, for the first time agribusiness is also attracting Indonesia's large private sector concerns. The Astra and Liem groups are investing in palm oil, cocoa and rubber projects. Astra plans to have 130,000 hectares under palm oil, accounting for 35 per cent of its total revenues, which puts the company puts in a league with regional giants like Sime Darby. The Liems, who already control the local vegetable oil market, are also developing new palm oil estates.

Bakrie and Brothers has large rubber plantations, having bought ont Uniroyal, the US tyre manufacturer. Last year it was reportedly in negotiation with Goodyear, over possible sale of its Indonesian plantations. Hasfarm, another local group, has concentrated on cocoa and in Kalimantan now has the world's largest cocoa plantation. This interest seems certain to increase as firms like Bakrie and Astra go public on Indonesia's growing stock exchange.

The significance of all these moves is that the private sector is beginning to take a dominant role in plantation agriculture, which is good for efficiency and good for farmers' income. The benefits are also spreading beyond the established plantations as new development takes place. Mr Sutrisno Budiman, of the Rubber Association, says the key new growth areas are Rian and Lampung which also enjoy Sumatra's steady rainfall patterns, vital for tree-crops.

**The jungles of Sumatra were turned into a vast commercial garden during the Dutch colonial period**

But Kalimantan is also proving attractive, even far flung Irian Jaya. The Commonwealth Development Authority now has a small cocoa plantation in the west of the province in the so-called Bird's Head — a place which is still only accessible by boat.

**John Murray Brown**

**John Murray Brown** looks at high-tech development

# Industry's leading edge

BACHRUDDIN Jusuf Habibie is Indonesia's industrial messiah, a man who inspires devotion and distrust in almost equal measure.

To his admirers this 53-year-old German-trained aircraft engineer, is a scientific visionary who promises to launch the nation into the 21st century in the vanguard of world technology.

*To his critics Dr Habibie is a* spendthrift whose showpiece projects show little sign of nearing profitability and seem increasingly out of place in a poor developing country of 175m people.

Dr Habibie is Minister of Research and Technology. If the title sounds innocent enough, Dr Habibie is one of the cabinet's most powerful figures and a close confidant of President Suharto. His reputation, on the bookstands at least, warrants not just one but two glossy official biographies. In a society where even ministers are expected to be self-effacing Dr Habibie's secret has been to court publicity, quite openly.

Since his recall from Germany in the mid-1970s where he was a director of Messerschmitt-Bolkow-Blohm, Dr Habibie has built up a formidable armoury of industrial assets, from aerospace to a nuclear research reactor. His empire today includes the state aircraft manufacturer IPTN, the shipbuilding facility PT Pal in Surabaya, a munitions firm and the scientific research station at Puspiptek.

He is in charge of Batam, the small Indonesian island opposite Singapore which Jakarta is developing as a special export zone. He chairs a ministerial task force on energy policy, and is on the board of Pertamina the state oil corporation. In short, Dr Habibie oversees every government project which involves the application of new technologies.

Exactly how much pnblic money has been thrown his way is anybody's guess. Certainly no state company has received the sort of protection enjoyed by the Habibie concerns. IPTN, the corporate flagship, like almost all public companies in Indonesia issues no financial accounts. Yet its budget was raised 44 per cent in 1988-89, while government spending on other programmes was frozen, if not actually reduced. The company continues to have special import rights for key inputs such as aluminium and plastics. Indonesian domestic carriers are obliged to buy IPTN products, and even the military's aircraft procurement programme is increasingly linked to counter purchase and offset deals.

Habibie: a man who inspires devotion or mistrust

For Dr Habibie IPTN is the leading edge for Indonesia's high-tech development effort. The company's latest scheme is to design and build Indonesia's very first home-grown aircraft the N-250 — a project which seems particularly ambitious at a time when even the world's best known aerospace firms are entered into joint collaborations. As one of his directors put it: "Dr Habibie's ideas start with the end and end with the beginning."

The process is what Dr Habibie describes as "progressive manufacturing". With the collaboration of the world's leading aircraft names, the company has embarked on a whole range of joint ventures from simple maintenance agreements and component supply contracts to offset and airframe construction under licence, and now to full design and production.

Today, for example, IPTN builds the multi-purpose fixed wing CN-235 a 44-seater jointly developed with Casa of Spain. The plane is a possible competitor for the Italian-made ATR-42 as a regional short hop commuter aircraft. It can also be adapted for container use and as a troop carrier.

To date there has not been a single export contract for the Indonesian-made 235, the only sales being to domestic customers, mostly government orders. It was a major breakthrough when earlier this year IPTN received the go-ahead to sell in the US, under an agreement with Spain and the US Federal Aviation Administration.

Also in the Casa-IPTN hangar is the smaller NC-212 — sometimes referred to as the "Jeep with Wings". Thailand's department of agriculture has purchased a converted version to be used for crop spraying and cloud seeding. Two local carriers — Pelita and Merpati — account for almost half the sales.

The rotary wing programme has been more problematic, as a result of the fall-off in helicopter demand from the offshore oil industry. IPTN assembles Aerospatiale's Super Puma, but the smaller Puma was discontinued. It also makes MBB's BO-105, and the Bell NB-412.

For all that no one is about to write off Dr Habibie, least of all the foreign companies trying to sell their own products to Indonesia. With both Garuda, the national carrier, and the Indonesian military looking for aircraft there are ample opportunities for IPTN to boost revenues and raise technology knowhow. Boeing of the US, the world's largest manufacturer of civilian aircraft, is now sourcing $50m worth of components from IPTN for both the 737 and 767. Fokker has also ordered parts for its F-100. British Aerospace and Rolls-Royce are considering the joint development of the Hawk 200 — a deal which seems certain to contain a considerable offset content. Dr Habibie has said as much as 50 per cent of the purchase cost should be covered by local manufacturing.

IPTN's role as component contractor thus seems assured, for the immediate future at least. The attraction of Indonesia's own huge domestic market should see to that.

The one moot point is how much technology is actually transferred under such arrangements. In some respects airframe manufacture is little different from other engineering tasks. And as one banker points out "by the time a foreign company transfers its technology it is probably out of date anyway."

The longer term question must be whether Indonesia can ever compete in international markets. Recent experience in the car industry has been far from encouraging — where the advent of robotisation on the assembly line has reduced the cost advantages of cheap labour producers such as Indonesia.

Nation building, Dr Habibie once wrote, is achieved through economic and technological independence. In a recent speech Dr Habibie went so far as to predict Indonesia would soon catch Japan in the technology sweepstakes, in the year 2026, to be exact.

In a country where senior officials have openly advocated "stealing technology", Dr Habibie still offers a potent message.

**James Murray Brown** describes the religious structure

# Islam grows in popularity

**RATU Loro Kidul, haevenly consort ot Javaneae kings and Queen of the Southern Sees, cen these daye be tound in Room 308 at the Samudra Beach Hotel.**

**Well, the Javenese at least believe it. Indeed, on the first day of the Javanese new year the Sultan of Jogjakarta takes his antire court to the seaside to preeent offeringe to the Ratu Kidul — the treacherous, green see goddess whoaa epparitions ere said to lure young men to their deaths.**

**Hocus-pocus we may call it but for Indonesians, and particularly the Javenese, the world is still inhabited by weird epirits and beliefs. They elso believe if a tootbeller inserts e diamond in his shin he not only scores goals, but can move the goalposts.**

**Jeve today is e world inhabited by spirits, man with psychic or paranormal skills, and good old-tashioned superstition.**

**Javanesa belleva objects, such as the kris, the sacred sword or rocks and statues, can be invested with special powars. In en incident last year, for a few days the whole of Jakarta seemed taken up with the fate of two old palm trees, which repeatedly defied the chainsaws of a South Korean construction gang.**

**The late President Sukarno certeinly believed in euch thinge. Preeident Suharto seeme to. Is it illogical to think e tuture Indoneslan leeder might be similarly inclined?**

IN A COUNTRY of haffling statistics, the one on religion is probably the most baffling of all. On paper Indonesia is the world's largest Moslem nation with 90 per cent of its 175m population professing Islam. Yet Islam is just one of the country's five official religions.

Catholics, Protestants, Buddhists and Hindus ere all well represented in small communities scattered throughout the archipelego. In Jeva, where more than 110m people live, an older religion grafted from Hindu and Buddhist myth survives in many of the island's 40,000 villages.

For security reasons alone the present leadership could never countenance the establishment of an islamic state. The constitution may require the president to be e Moslem, hut the constitution is e document profoundly humanist in outlook if not actually secular.

Government figures suggest as many as 150m Indonesians are practising Moslems — predominantly Sunni Moslems with small pockets of Shias. In reality perhaps half are what are known as identity-card Moslems. Fundamentalism represents an even smaller threat. Probably the only statistic that is not in dispnte is that Islam in Indonesia is on the rise — at government level, in the village and, some would contend, even among the military.

Islamic leaders will claim it represents the growth of orthodoxy not extremism, although sadly for Indonesia the distinction might well be lost on the prospective foreign investor.

What is clear is that Islam seeme well suited to answer the needs of a traditional society facing the growing pains of rapid development and industrialisation. Golkar, the government party, is ettracting Moslem politicians from the old religious groupings. Islamic publishing is increasing. New mosques and religious schools are going up, helped by substantial aid funds from Saudi Arabia. Even within Indonesia's sleepy corridors of power the government now provides special prayer rooms in all ministerial buildings.

For all that, the numbers still metter. In government ranks there are those who would like to see Kepercayan, the Jevanese mystic creed, raised to the status of an official religion. There are others who would use the issue merely to counter Islam's increasing popularity. Islamic leaders believe there are any amount of mystic sects which, if given approval, might woo Moslems away.

In 1978 when the issue was debated Moslem politicians in the National Assembly walked out in protest, an uncharacteristic show of pique in a political culture founded on consensus building. In 1988 there were further rumours of e bid to redefine the mystic religion Kepercayan. This time the Moslems used their parliamentary support to block the move.

Islam has always been difficult to define. The country has its orthodox strands like Aceh in the tip of Sumatra where Arab traders first introduced the religion. But if the Acehnese have a reputation for religious fervour, it is deeply conservative, and more often an expression of disaffection with central government than any islamic radicalism. And even here, in the so-called Verandah of Mecca, islamic ritual is often a hybrid of modern belief and much older pagan tradition.

Extremism, curlously enough, has been e largely Jevanese phenomenon. In 1984 Moslem terrorists hijacked an airliner of Garuda, the national flag carrier. Another group bombed the Buddhist temple at Borobudur.

A more serious incident occured in 1985 when troops fired on rioting Moslems in the poor Jakarta port district of Tanjung Priok. According to diplomats as many as 200 people were killed. The islamic community condemned the action.

General Dharsono, once a close military colleague of President Snherto, was arrested and eentenced to eeven years on eedition charges after he dared challenge the official version of events.

**What is clear is that Islam seems well suited to answer the needs of a traditional society**

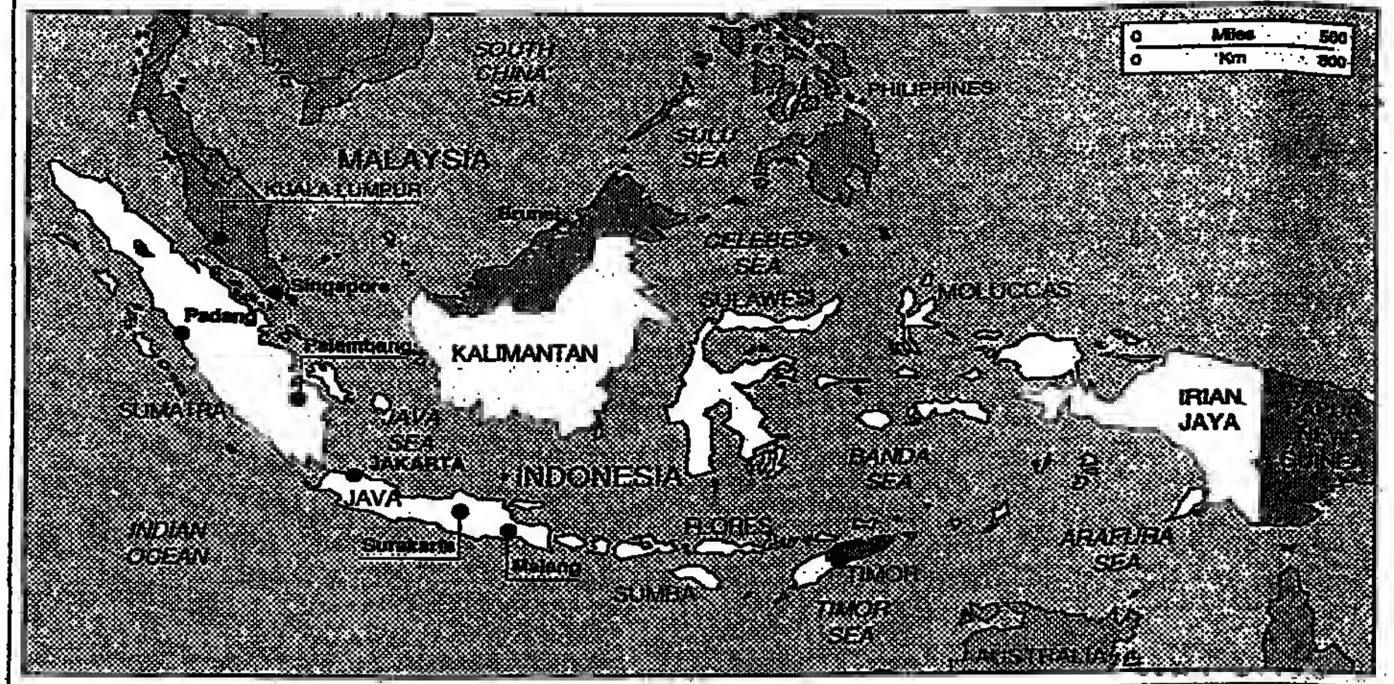
What sparked the riots was a Government plan to pass new laws forcing all political parties to adopt *pancasila*, the state ideology. *Pancasila* is a vaguely worded set of rules the main point of which is to ensure religious freedom and thwart what was then perceived as the growing threat of islamic extremism. "You have your monarchy, the Americans have their constitution, we have *pancasila*," is how one government official describes it.

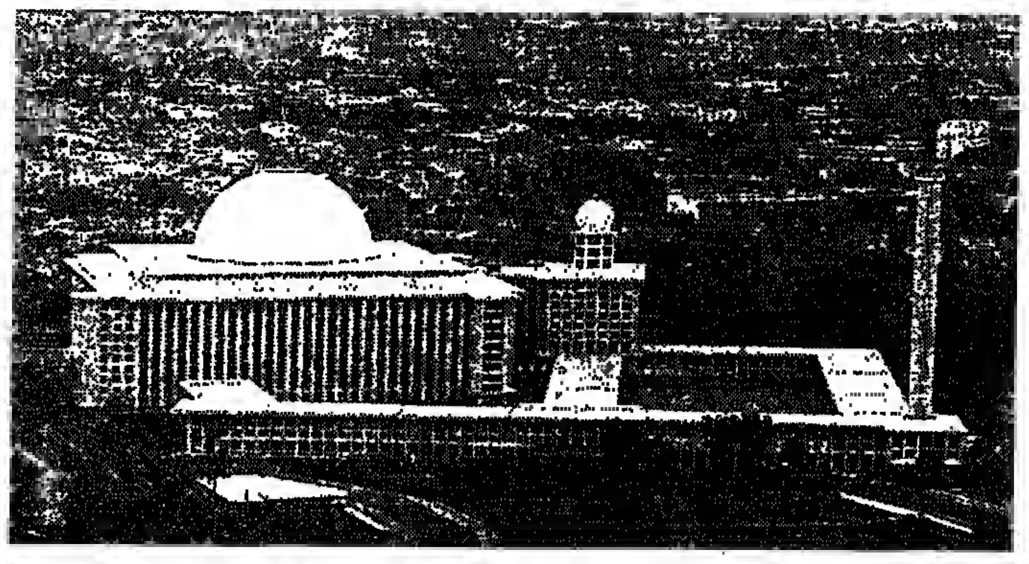
Today, the lasting effect of the 1985 legislation has been to force the moderate Moslem mainstream to rethink its political role. The largest group, Nedhetul Ulama (NU), attrected criticism when it defected from the small United Development Perty (PPP) which previously had provided Moslems with a voice in parliament. While NU officials were quick to deny it, the action was seen to constitute an endorsement of tha ruling Golkar party.

Whatever the truth, the move has clearly paid off. After being isolated from the political process for so long, Moslem politicians now have e platform within Golkar from which to influence policy. Earlier this year Parliament looked set to pass a new bill on islamic law, increasing Moslem courts' jurisdiction in cases of divorce and inheritance.

In parliament last year it was Golkar again which openly questioned the national football lottery, a sensitive issue because of its associations with powerful business interests.

Some even contend there is an increase of islamic sentiment within the Indonesian armed forces, traditionally the bastion of secularism. Islamic leaders like to point out that General Try Sutrisno, the new commander, is a devout Moslem.



National mosque in Jakarta: on paper the world's largest Moslem nation

## If not Bali, where?

**Jogjakarta:** Cultural home of the Javanese. Starting point for a tour of the temples of central Java — Borobudur, Prambanan and the temples on Mount Lawu.

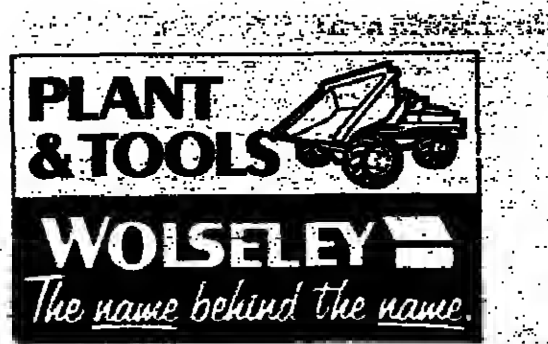
**Banda:** Beautiful spice island home of charming "New Order Sultan" Des Alwi. Once owned by the British. The Duth swapped it for New Amsterdam — the Manhattan Transfer. It must have seemed a good idea at the time.

**Bandung:** High in the West Java Hills yet another Paris of the East. Shrine to the Non-Aligned Movement. A more accurate description is the art deco capital of the Orient. Stay at Hotel Savoy Homan, where little has changed since the visit of Nehru, Nasser and a younger Prince Norodom Sihanouk.

**Madura Island:** Famous for tobacco plantations, bull-racing, Chinese carved wooden beds, and strikingly beautiful women. A dry, rugged place — Indonesia's Sicily, and *carok*, a violent feuding tradition, to go with it.

**Flores:** The Cape of Flowers, the Portuguese called it. This vast island somehow got lost when Alfred Wallace drew his famous line dividing the flora and fauna of Asian and Australasia. Now known for its weaving, its whales, and its Catholic priests. The whale in Indonesian conveniently is known as the *Ikan Paus*, or Pope Fish.

Carvings on Borobudur Buddhist temple: one of the tourist sights in central Java




FINANCIAL TIMES
# COMPANIES & MARKETS
Friday September 1 1989



## INSIDE

### Britain leads field in foreign equity trade

British investors led the way in the international equity markets in 1988 and are by far the largest foreign equity investors, initiating $224.1bn of cross-border equity transactions last year, equivalent to 18.5 per cent of all international equity trades. Salomon Brothers, the US securities house, attributes this partly to the international diversification of the UK economy and its culture and partly to the "steady relative decline of the UK domestic economy and the associated secular fall in the value of sterling." **Page 24**

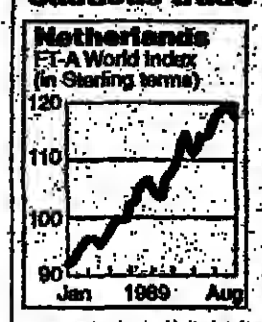
### Sharing in loyalty

Most financial analysts were surprised by this week's proposed merger of Japan's Mitsui and Taiyo Kobe banks, to create the second largest bank in the world. But a dramatic surge in buying of Taiyo Kobe shares several weeks ago by a relatively small stockbroker has raised questions about who knew what and when. A Taiyo Kobe official has admitted that bank customers were encouraged to buy shares two months ago but added this was simply an attempt to win customer loyalty by securing them as shareholders. **Page 22**

### Truffles on tap

Salvador Dali would have been inspired. Using a forest of 300,000 miniature green oak trees, the biggest not yet 2m high, a small Spanish foods group, Arotz, is set to control the world market in a very expensive fungus — the black truffle. Most of the trees were planted in the late 1960s and early 1970s and when their shallow root systems throw up their rich harvest in the next two years Arotz will, it says, "produce more truffles than the whole world does now." **Page 30**

### Cautious trade in Amsterdam




The Amsterdam bourse is trimming its sails ahead of next week's elections in the Netherlands, when the Christian Democrats are generally expected to remain the largest party and to seek a coalition with the right-of-centre Liberals, their ruling partners for the past seven years. Foreign investors, who have fuelled much of this year's market rise, are surprisingly unperturbed by the prospect of a coalition as long as the pragmatic Mr Ruud Lubbers is Prime Minister. **Page 42**

### Gabon's export regrowth

Forests cover 75 per cent of Gabon, but forestry ranks only third as a revenue earner after oil and mining. Now the central African state is attempting to diversify away from its excessive dependence on the oil sector by revitalising the high-potential forestry industry, which produces about 1m cubic metres of wood a year, about two thirds of which is exported. **Page 30**

### Market Statistics



### Companies in this section



### Chief price changes yesterday

**FRANKFURT (DM)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Allianz | 2142 | + | 22 |
| Degussa | 513 | + | 10 |
| Holzmann | 967 | + | 33 |
| Schering | 804.5 | + | 19.5 |
| VW | 483.3 | + | 9.3 |
| **Falls** | | | |
| Vereins-West | 440 | − | 10 |

**NEW YORK ($)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Gap Inc. | 52⅞ | + | 1⅞ |
| IBM | 117⅞ | + | ⅝ |
| Reebok | 18⅞ | + | 1½ |
| **Falls** | | | |
| AMR | 87⅞ | − | 4⅞ |
| Delta Air | 80⅞ | − | 3⅞ |
| UAL | 278⅞ | − | 1 |

**PARIS (FFr)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Exor | 1549 | + | 81 |
| Gal Lafayette | 1940 | + | 128 |
| Grp. Victoire | 1920 | + | 128 |
| Sica Parier | 1741 | + | 96 |
| **Falls** | | | |
| La Henin | 885 | − | 12.5 |
| Pernod | 500 | − | 8.8 |

**TOKYO (Yen)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Fanuc | 7400 | + | 750 |
| Orix | 5900 | + | 700 |
| Royal | 3450 | + | 400 |
| Shimachu | 3940 | + | 440 |
| **Falls** | | | |
| Daio Paper | 2030 | − | 160 |
| Nikko Elect. | 970 | − | 150 |

**LONDON (Pence)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Brit.Aero | 713 | + | 18 |
| Caradon | 464 | + | 108 |
| Dalgety | 415 | + | 7 |
| Fisher (A.) | 116 | + | 7 |
| Fisons | 383 | + | 10 |
| Gen. Accident | 1044 | + | 9 |
| Goldberg (A.) | 182 | + | 4 |
| Hawker Sidd | 759 | + | 15 |
| York Save | 556 | + | 7 |
| LASMO | 527 | + | 6 |
| Medminster | 149 | + | 41 |
| Racal Telecom | 374 | + | 22 |
| Dollech | 352 | + | 13 |
| Utd. Biscuits | 398 | + | 10 |
| Warburg (S.G.) | 425 | + | 10 |
| Willis Faber | 218 | + | 5 |
| **Falls** | | | |
| Davies Newman | 705 | − | 20 |
| Eurotunnel | 870 | − | 63 |
| GRE | 220 | − | 4 |
| Myson Grp. | 208 | − | 25 |
| S & V Info | 43 | − | 17 |

# Cadbury adds to soft drinks business

By Lisa Wood

CADBURY SCHWEPPES yesterday announced it was strengthening its worldwide soft drinks businesses with two acquisitions, the main one being the £220m cash acquisition of Crush International from Procter & Gamble, the international consumer group.

The second purchase, for a much smaller and undisclosed sum, is the Garden Cocktail and Tomato Clam Cocktail juice business of E D Smith & Sons of Canada.

The two purchases were announced on the same day as Cadbury unveiled its interim profits. In the half year to June Cadbury made a pre-tax profit of £94.9m ($149.15m), up 16.2 per cent on the previous year.

The acquisition of Crush will consolidate Cadbury's position as one of the leading soft drinks companies in the world.

According to estimates by Henderson Crosthwaite, the London stockbroker, the market is led by Coca-Cola with an estimated 46 per cent of the world fizzy drink market, followed by Pepsi-Cola with an estimated 22 per cent and Dr Pepper/7 Up and Cadbury vying for third position with about 4 per cent each.

Crush International sells its Crush orange carbonate brand in North America, Latin America, Africa and the Middle East and Gini bitter lemon in France. It was acquired by P & G during the early 1980s.

The business, which generated estimated pre-tax profits of some $22m in the year to June 1989, has lost market share in the growing US domestic market over the period. It has been for sale for some months. P & G said yesterday that it wanted to redeploy the assets on other areas of its drinks activities. An estimated 84 companies asked for a prospectus. The price paid by Cadbury was higher than US analysts had anticipated.

Cadbury, with US brands that include Canada Dry and Sunkist, believes that it can reverse the declining market share by reverting to a franchised system of local bottlers. P & G sought to eliminate franchise bottlers and make its own direct deliveries to supermarket warehouses. According to industry sources this had an adverse affect on sales because local bottlers in the US are an important component of getting soft drinks on to supermarket shelves.

Analysts' price estimates for the businesses initially ranged between $80m and $120m, but the price may have escalated because of the substantial interest shown in the sale.

In the US, the acquisition will increase Cadbury's total market share in soft drinks from 3.6 per cent to 4.7 per cent and in Canada from 10.3 per cent to 15.1 per cent.

Lex, Page 18

# Offers for Myson referred to MMC

By John Thornhill in London

MR Nicholas Ridley, UK Secretary of State for Trade and Industry, yesterday referred two rival takeover offers for Myson Group, the radiator and boiler company, to the Monopolies and Mergers Commission, the regulatory watchdog.

The two offers - one worth £195.7m ($309m) from Blue Circle Industries, the cement and home products group, and the other £187m from Yale and Valor, the security and home products company - were considered to have possible adverse effects on the UK gas boiler and gas fire markets respectively.

Both bids have lapsed until the MMC has completed its investigations. This is expected to be within the next three months.

Blue Circle, which already has a 18 per cent market share of the gas boiler market through its Potterton subsidiary, would expand its share to more than 30 per cent if the Myson bid were successful. Similarly, the combined market share of Yale and Myson in the gas fire market would also be above 30 per cent of the total.

Nevertheless, Mr John Salkeld, Myson's deputy chief executive, said he was surprised by Mr Ridley's decision. "I have given up trying to predict the OFT, it's rather like the weather. Perhaps it is because there is a new Secretary of State and he is being cautious," he said.

Blue Circle said it intended to pursue its case before the MMC. Mr James London, finance director, said he was reasonably confident its offer would be given the go-ahead. "We believe we have a strong case and it is important to look at the situation in terms of specific market shares and in the context of Europe."

Yale said it was reviewing its position and would make no further comment until it had consulted its financial advisers.

Several City analysts said it was reasonable for the offers to be referred to the MMC as there were superficial cases to answer on competition grounds. But they suggested the MMC would probably clear both offers, although, perhaps, only after attaching certain conditions.

The MMC has also been asked to consider Blue Circle's 29 per cent shareholding in Myson. In the meantime Mr Ridley has made an order preventing Blue Circle from buying more Myson shares and has also prohibited Yale from buying more than 15 per cent of Myson. It currently owns 8.19 per cent. Myson's shares fell 25p to close at 208p.

# BAA seeks paths to profits under regulators' scrutiny

**Ray Bashford** and **Paul Cheeseright** on the conflicting demands of operating in the private and public sectors

BAA, formerly the publicly-owned British Airports Authority until its privatisation two years ago, finds itself today in a straitjacket. Never have the conflicting demands of the private and public sectors been so difficult to reconcile.

It is hemmed in on one side by official restrictions designed to prevent exploitation of its monopoly position. On the other side are the demands to prove itself in the private sector.

The pressures created by these conflicting demands were in part responsible for the sudden departure last week of Mr Jeremy Marshall, the chief executive.

BAA still has monopoly control over the operations of Britain's seven largest airports. But it has spent the two years since privatisation trying to operate with greater freedom, searching for new streams of revenue and expanding into areas which allow it to exploit inherited property assets.

This aim is being pursued from a strong base. On sales of £641m ($1.1bn) it generated profits before tax of £198m in the year to last March, from fees earned from airlines which use the airports and income from companies offering services like duty free shopping, parking, car hire and catering at the airports.

Few other British companies have such close contact with the smaller businesses which feed off them.

But the challenge of balancing the interests of its shareholders and its customers under the watchful eye of regulatory agencies is becoming increasingly complex.

This has made it difficult for the City to rate the stock. An observer of BAA since before the flotation says: "Essentially the Government is in control of what sort of profits BAA makes from its core airports business."

Sir Norman Payne, the chairman who has temporarily taken over Mr Marshall's responsibilities, acknowledges the potential problems of his company's monopolistic control but argues that service to the public comes first.

"Profitability comes from giving service to the public, which encourages people to come back again," he says.

But since privatisation, BAA has found itself regularly having to justify its policies to one of its regulators, the Office of Fair Trading, which has found itself fielding complaints from a broad range of BAA's customers and the independent businesses operating BAA's terminals.

BAA's corporate critics have been arguing that the company's strategy is excessively driven by the desire for short-term profits.

The issue has come to a head because of an OFT investigation into claims by bus operators at Heathrow and Gatwick that they are paying excessive charges following recent steep increases. The OFT is also looking into two other aspects of BAA's airport terminal operations, including the controversial issue of retail concession charges.

The OFT's findings are expected before the end of the year but are likely to stop short of recommending a full Monopolies and Mergers Commission reference and instead should fire a warning shot over BAA's bow about its pricing policy.

While the issues which the OFT is currently examining will form part of the MMC investigation, a more contentious consideration will be airport charges.

The impending MMC investigation is believed to have heightened the long-standing tension between Mr Marshall and Sir Norman. The brief announcement of Mr Marshall's resignation last Friday gave no reason for his departure.

But people who know the company well say Sir Norman, who has created a formidable reputation among colleagues as a tough manager with strong political instincts and a reluctance to let go of control over any part of the company's key businesses, is understood to have come into conflict with Mr Marshall over how the company should be preparing its case and formulating its corporate strategy ahead of the MMC investigation.

Since its flotation, BAA's pre-tax profits have risen from £124m to £198m. Analysts are expecting profits to advance steadily during the next two years to about £280m.

According to Barclays de Zoete Wedd, the securities house, however, profits are to suffer in 1991 and 1992 because of the effect of building a £390m terminal at Stansted Airport north of London.

Further, the plan for the removal of intra-EC tax and duty free sales after 1992 will have an adverse effect on group profits and sales.

As part of the strategy to offset these adverse factors, the company is attempting to expand its airport services to the US and continental Europe. BAA held inconclusive discussions about the purchase of PanAm's airport terminal at JFK airport in New York and is believed to be examining alternative sites. It is also expanding into hotels.

Above all, BAA is seeking a new strand of income from property operations. It spent £222m to buy Lynton, the property investment and development group, which in 1988-89 had pre-tax profits of £8.2m. It wanted a company to develop land at the airports.

The aim is for Lynton, which now has £100m of BAA land in its care, to provide 10 per cent of pre-tax profits. Mr Gordon Edington, Lynton managing director, expects this target to be achieved in three years.

There are two facets to the property operations. One is the exploitation of BAA land, for example providing offices for airport users with such developments generally being held by BAA as an investment. The second focuses on operations outside the airports - offices, shopping centres and so on in the UK and the US — which Lynton is undertaking as a continuation of its pre-BAA existence. These developments will often be sold on.

The first facet strengthens the asset base and the second bolsters the BAA profit and loss account. The stakes are large. The current Lynton development programme - and there is not yet much of it on BAA land - costs £500m.

Although it has been the resignation of Mr Marshall which has thrown BAA into the spotlight during the past week, the impending OFT report and the MMC investigation which looms are certain to assure the company of a more public existence in its second two years as a public company.


Sir Norman Payne: formidable reputation

# BAT bid outcome rests with Panel says Goldsmith

By Nikki Tait in London

SIR James Goldsmith yesterday placed responsibility for the outcome of his Hoylake consortium's £13.5bn ($21.3bn) bid for BAT Industries, the big UK tobacco-based conglomerate, firmly with the Takeover Panel, the UK bids and deals watchdog.

Asked whether he considered it impossible for Hoylake to take over BAT this time round if the Takeover Panel did not grant an extension to the normal 60-day bid timetable, Sir James said that he did. However, he added the caveat: "I don't know whether my bankers would."

Later, Mr Jacob Rothschild, one of the original Hoylake consortium members, sounded a more cautious note. The failure to win an extension would make Hoylake's task "much, much more difficult," Mr Rothschild said, although he fell short of claiming that this would necessarily kill the bid.

Last week Hoylake made a formal submission to the Panel, asking for the timetable to be extended. Its problems arise because of the need to get approval from the US state insurance commissioners for a change in ownership of Farmers, BAT's US insurance subsidiary, which is potentially a lengthy process.

Sir James' remarks came at a impromptu press conference following an extraordinary general meeting of Anglo Group, the quoted company controlled by certain Rothschild and Goldsmith companies whose shares are being offered as part of the Hoylake bid. The egm had been called to approve certain technical measures, enabling the bid to proceed.

As a herd of journalists, analysts and Anglo shareholders packed into the egm, Postel, which manages the Post Office and British Telecom pension funds and is one of Britain's largest institutions, questioned Sir James.

Mr Andrew Threadgold, Postel's chief executive, made clear that Postel objected to the profit "override" provisions in the Hoylake offer and would vote against any resolutions that implicitly endorsed them.

The "override" gives Anglo's existing shareholders and members of the original Hoylake consortium a preferential share in the returns to Hoylake as the "unbundling" takes place.

Mr Threadgold went on to query the rights given to Hoylake minority shareholders — essentially the Goldsmith consortium — if the bid is successful.

Referring to Sir James, Mr Rothschild, and Mr Kerry Packer, another member of the bidding consortium, Mr Threadgold said: "I can't think of three individuals more capable of looking after themselves."

That brought a robust response from Sir James. On the override question, Sir James said he was "surprised that it comes as a surprise." He pointed out that Postel was "in a constituency of shareholders who have seen their shares rise 100 per cent on the back of a clear plan" set out earlier in the scheme of arrangement for Anglo - with which the current bid was entirely in line. The idea of an override was mentioned in that scheme, he pointed out, and approved at the time by Anglo shareholders.

The rights given to the minority shareholders in Hoylake, he maintained, were fair protection given the investment they were proposing to make.

With Goldsmith and Rothschild companies owning 75 per cent of Anglo, the outcome of the egm was never in doubt - and all resolutions were endorsed.



# Investment groups join larger partners

TWO more investment management groups, Dunedin and Prolific, announced yesterday they were linking up with larger partners.

Dunedin, the Edinburgh-based investment fund manager, is merging with British Linen Bank, the merchant banking arm of the Bank of Scotland, while the Prolific group is being taken over by Hafnia Holdings, the Danish financial services group.

Dunedin and British Linen are hoping to achieve economies of scale by forming a single larger group. Prolific, on the other hand, is providing Hafnia with an international investment arm and a foothold in London.

UK investment groups are under increasing pressure to become parts of bigger groups in the face of increased competition and rising costs as a result of the need to comply with the Financial Services Act.

Prolific is the fifth group to find a European partner. This year alone, Touche Remnant was taken over by Société Générale of France and GT by the Bank in Liechtenstein, while Bayerische Hypotheken-und Wechsel-Bank of West Germany took a 50 per cent stake in Foreign & Colonial and earlier Dresdner Bank bought 50 per cent of the Thornton Group.

Lex, Page 18; Details, Page 25

# Loss-making Saab-Scania to cut workforce by 2,000

By Robert Taylor in Stockholm

THE BOARD of Saab-Scania, the big Swedish vehicle group, decided yesterday to cot its car workforce of 11,500 by 2,000 as part of its rationalisation programme for the loss-making division.

This is 500 more than had been originally planned earlier in the summer and underlines the growing crisis in one of Sweden's largest companies. Saab also confirmed the decision to sell its three car component plants.

After the board meeting Mr Jan-Erik Larsson, head of the car division said the company'a aim was to restore the car division to profitability within one to three years.

However, Saab has done nothing to dampen down the mounting speculation that its losses for this year could reach SKr2bn ($302m) in the car division, which would at least halve the company's profits as a whole – the other divisions are trucks and civil aviation. It has been estimated that Saab is losing as much as Skr20,000 on every car it makes.

George Karnsund: doubts growing over his future

There are alao growing doubts about the future of Mr George Karnaund, the company's chief executive.

A report in this week's issue of the influential Swedish business magazine Veckans Affärer suggests that the Saab board, where the Wallenberg family exercise a strong influence, is looking around for a replacement.

Meanwhile Ford Motor of the US said reports in Europe that it might take over Saab's car operations were "speculation," adds Our Financial Staff.

Ford said it would neither confirm nor deny reports that the two companies were in negotiations, as is standard company policy on such reports. For its part Saab too refused to confirm or deny the reports.

Rumours have circulated for several months that Saab is trying to save the division by seeking a deal with some other car manufacturer.

The Swedish newspaper Expressen said yesterday that Ford tops Saab's list, adding that the Swedish vehicle group was involved in top-level negotiations with Ford.

The newspaper said Ford wants a majority of the Saab division, while other observers said Saab was only willing to relinquish 20 per cent to 40 per cent of the company.

# Steelcase Strafor bids £62.1m for Russell

By John Ridding in London

STEELCASE STRAFOR, a Franco-US company which is one of Europe's largest manufacturers of office furniture, is making a £62.1m agreed bid for Gordon Russell, a UK counterpart.

The deal reflects growing consolidation in the highly fragmented European office furniture market, estimated to reach £3bn in 1989.

The two companies will be the largest single force in the UK market, with about 10 per cent of sales.

Steelcase Strafor, a French-based company, is jointly owned by Steelcase, the largest office furniture manufacturer in the US, and Financière Strafor, a holding company listed on the Paris Bourse. It has annual sales of about £230m.

Both Steelcase Strafor and Gordon Russell are involved in the high quality end of the market, but the UK company is mainly involved with wood and veneer products, while Steelcase concentrates on steel products and office systems.

Mr Pascal Gilbert, chiaf financial officer of Steelcase Strafor, said that tha merger would complement its existing range of products and give Gordon Russell the financial backing and distribution network to expand into Europe.

Gordon Russell's name and management will be retained.

On brokers' forecasts of pre-tax profits of £6m for 1989, Steelcase Strafor is paying 16 times earnings.

Gordon Russell yesterday also reported a 23 per cent increase in pre-tax profits to £2.04m in the six months to June 30. Turnover was ahead 44 per cent to £22.57m (£15.69m). Earnings per share slipped from 11.1p to 10p reflecting the increased share base. An interim dividend of 2.6p (2.4p) was declared.

Gordon Russell was founded in 1972 and was floated in 1986 at 190p per share. Its founder members, Mr Jeremy Simpson, chairman, Mr Chester Wedgewood, chief executive, and Mr Geoff Gord, executive director, hold 15 per cent, 12 per cent and 1.8 per cent of the shares respectively.

# Bang & Olufsen out of red with DKr36m profit

By Hilary Barnes in Copenhagen

BANG & OLUFSEN, the Danish audio products and television manufacturer, has recovsred from a dip in demand for its np-market products following the 1987 stock-market crash.

The group emerged from the red with pre-tax profits of DKr36m ($4.74m) for the year to May 31, compared with losses of DKr16m in the previous 12 months. Sales were ahead by 7 per cent at DKr2.09bn. Export sales were np by 5 per cent and domestic sales by 8 per cent.

The group's payroll increased by 500 to a record 3,357. Mr Steen Langebaek, chairman, said this had to be seen against the background of redundancies in 1987.

The board proposed the restoration of a DKr10 per share dividend. The dividend was passed in the previous year.

# Omni acquires over 80% in Harpener of Dortmund

By John Wicks in Zurich

OMNI HOLDING, the Berne-based company controlled by Swiss financier Mr Werner Rey, has acquired a stake of well over 80 per cent in the West German holding and property firm Harpener, of Dortmund.

This shareholding has hitherto belonged to Inspectorate International, also of Berne, in which Omni Holding itself has some 37 per cent. The purchase price, based on the "current market price and an additional premium," is DM1.01bn ($517m), or DM480 per share.

Inspectorate is to receive DM766m in cash, with the balance in a 3½-year note, with a coupon of 3.5 per cent.

This is convertible into Inspectorata shares currently held by Omni Holding, with a corresponding reduction in Omni's stake in Inspectorate, at a unit price of SFr2,600 ($1,543).

This, according to an Inspectorate commnniqne, could "make additional shares available for future acquisitions without dilution of existing shareholdings."

The company adds that it intends to use the cash proceeds to reduce its indebtedness and expand its "core businesses": temporary employment and personnel placement, inspection and testing, and security services.

Harpener, whose asseta amounted to DM722m at the end of 1988, is said by Omni to have shown "gratifying" results in the first half of this year, with turnover up 5.3 per cent to DM93m and operating profits, including investment income, up by DM2.7m for the period to DM42.8m.

For 1989 as a whole, profits are expected to rise by over 25 per cent, while internal reserves have been strengthened by the sale of a number of holdings.

# Oslo go-ahead for helicopter group

By Karen Fossli in Oslo

THE Norwegian Government has given the go-ahead for the setting up of a new Norwegian civil helicopter company, breaking the 12-year monopoly of Helikopter Services, the only helicopter company which services oil and gas platform operations in the Norwegian North Sea.

Braathens Helikopter, the new subsidiary of Norway's domestic airlines Braathens, a member of the Ludvig G. Braathens Group, was established yesterday with an equity capital of NKr50m ($1m) and a staff of 68, of which 24 are pilots.

In addition, an NKr800m five-year contract was signed between the new helicopter company and three leading oil companies: Statoil, the Norwegian state oil company, Norsk Hydro, Norway's largest publicly quoted company and Phillips Petroleum Norway, the Norwegian unit of Oklahoma-based Phillips Petroleum.

The contract calls for Braathens Helikopter to service the North Sea oil and gas platforms of the three oil companies. Phillips accounts for one-half of the contract while the balance is split between Statoil and Norsk Hydro.

Separately, Braathens Helikopter signed a contract with Aerospatiale, the French helicopter company, to supply four AS-332L1 Super Puma helicopters, each worth approximately NKr65m, for delivery from May to July next year.

The contract also incorporates an option which calls for the four Super Puma helicopters to be replaced by four Super Puma Mark IIs, with more advanced technology, after a period of five years.

Braathens executives said the new company hopes to acquire 50 per cent of the Norwegian North Sea market and to do so an expansion of the company, by adding additional helicopters to its fleet, may be necessary in future. When it starts flying the new company will have between 20 per cent and 30 per cent of the market.

The monopoly of Helikopter Services has during its existence interrupted, and periodically shut down crude oil and natural gas production from Norwegian North Sea platforms due to strikes over pay.

This year during strikes Norwegian oil companies co-operated to create an incentive for a competing company to be established.

# KHD forecasts return to black

By David Goodhart in Bonn

KLOECKNER-Humboldt-Deutz (KHD), the troubled West German diesel engine and agricultural machinery group, looks on course at least to break-even this year, after two years of heavy losses, following the publication of its interim figures.

The company, which has been 40 per cent owned by Deutsche Bank since the bank's bail-out of trading house Klöckner & Co last year, made losses of DM285m ($145.9m) in 1987 and DM75m in 1988.

The losses are attributed to troubles at its US subsidiary and a slump in the tractor and plant construction sectors.

KHD began to make money again in May and June, according to its half-year report, but still reported a loss of DM30m at the midway stage.

The management board is basing its cautious optimism for the full year on the favourable order position: orders are 5 per cent up on last year.

Overall sales were 2 per cent down on the first six months of 1989 at DM2.03bn.

In the engine division sales rose 5 per cent to DM1.17bn but fell back 12 per cent in agricultural machinery to DM706m.

Large cuts in the workforce have been pushed through. The number of employees has fallen by 13 per cent since the first half of last year, from 21,257 to 18,388.

# Astra moves ahead by 23%

By John Burton in Stockholm

ASTRA, Sweden's biggest pharmaceutical company, increased profits (before appropriations and taxes) by 23 per cent to SKr916m ($138.5m) in the first half of 1989, while sales rose by 21 per cent to SKr3.63bn.

Astra reported that all its main product groups showed good growth, but warned that the growth rate in sales and profits would slow during the second half of the year as market demand weakens.

Sales of cardio-vascular agents, the company's largest product area, rose by 12 per cent to SKr993m. Sales of the cardio-vascular agent Seloken, Astra's best-selling product, rose by 5 per cent.

Sales of agents for gastro-intestinal diseases scored the biggest gain, rising by 131 per cent to SKr219m.

This was particularly due to wider foreign distribution of the company's new anti-ulcer drug, Losec. During the second quarter it was introduced in the UK, Ireland and Canada and is now available in about 15 countries.

First half earnings per share after tax are estimated at SKr6.15 compared with SKr4.90 for the corresponding period a year ago.

# Paribas purchases 10% in Drouot

PARIBAS, the French merchant bank, has acquired a stake of "slightly over 10 per cent" in the holding company Compagnie Financiere Drouot, a unit of insurance group Axa-Midi, Reuter reports from Paris.

Paribas said it bought the stake in July at the time of Drouot's FFr690m ($105m) reserved capital increase.

Drouot is part of a pyramid of holding companies in Axa. It, in turn, holds 77.5 per cent of Patrimoines et Participations, which has 23.6 per cent of the capital of Compagnie du Midi. Drouot was previously 73 per cent controlled by Mutuelles Unies.

Mr Claude Bébear, Axa's chairman, has close links with Paribas. Paribas already held a 3 per cent stake directly in Compagnie du Midi, half of the merged Axa-Midi group.

# Swissair plans bearer share issue

By John Wicks in Zurich

SWISSAIR plans to issue 100,000 new bearer shares of SFr350 nominal value in connection with the forthcoming share swap with the Atlanta-based Delta Air Lines.

At an EGM on September 13, shareholders will be asked to approve a two-stage capital increase to bring nominal capital up from SFr674.1m to SFr709.1m ($421.1m).

They will also vote on an amendment to corporate statutes permitting the maximum quota of bearer shares in total capital to be raised from 33.3 to 40 per cent. This amendment was approved by the Swiss civil aviation authority last week. The new shares, which carry no drawing rights for existing shareholders, are earmarked for sale to Delta at a price related to the stock market quotation immediately prior to the September 12 meeting, plus 10 per cent.

The airlines have agreed a minimum price of SFr1,032.40 a Swissair share and a maximum of SFr1,396.60. Yesterday's price was around SFr1,415. In the swap transaction, which will give each partner 5 per cent of the other airline's shares, Swissair has already undertaken to pay $77.40 each for 2.5m Delta shares. This price was based on the market quote in late June, since when the Delta share has risen to about $91.

## INTERNATIONAL COMPANIES AND FINANCE

# Canadian bank gains European presence

**By Andrew Baxter**

HEES International Bancorp, the largest Canadian merchant bank, is establishing its first physical presence in Europe through a deal with London Financial Group, part of London Financial Services, a privately-owned financial services company.

Hees, which also ranks as tha fifth largest investment bank in North America, is a key element in the financial and industrial empire ultimately controlled by Mr Edward and Mr Peter Bronfman via Edper Group.

The brothers recently floated the holding company as Edper Enterprises.

But despite Hees' direct or indirect stakes in a number of well-known Canadian companies such as Brascan, Noranda, and Trilon Financial, it is little known in Europe.

Yesterday Mr Willard L'Heureux, president and managing partner of Hees, said that with Hees' increasing international operations over recent years, the company decided six months ago that it needed to have a presence in Europe.

Hees has purchased an undisclosed stake in London Financial Group, which specialises in leasing finance, and will also set up a representative office in LFG's London office. Mr L'Heureux said Hees saw tha arrangement as its "eyes and ears into Europe."

Mr David Porter, chairman of London Financial Holdings, said tha arrangements with Hees were a significant milestone in LFG's growth.

He saw "great opportunities arising from the combination of Hees' merchant banking skill's and LFG's knowledge and experience of the domestic UK financial market and of international cross-border leasing."

Mr L'Heureux added that, as part of Hees' international expansion, it was talking with a Canadian investment dealer about opening a joint venture in Tokyo.

Hees last week reported a 30 per cent rise in net income for the first half of 1989 to C$112.6m from $86.4m a year earlier, reflecting an all-round improvement in its business.

# Spanish electrical utility in W German negotiations

**By Tom Burns in Madrid**

UNION ELECTRICA-FENOSA, Spain's fourth-largest electrical utility, with a 15 per cent share of the market, is negotiating the sale of a minority of its equity to West Germany's Rheinisch-Westfälisches Elektrizitätswerk (RWE), in a deal that would mark the first entry of foreign capital into Spain's electricity sector.

Sources for the Spanish company said yesterday that RWE could initially acquire a 5 per cent stake through buying into Unión Eléctrica-Fenosa's *autocartera* – the portfolio that the company holds in its own business – to give it an equity similar to that held by the largest single shareholder in the company, tha publicly-controlled utility Endesa.

At current market prices such an acquisition would cost some Pta5bn, and the possibility remains open for the West German company to increase its holding by buying on the open market. Unión Eléctrica-Fenosa's equity is widely spread and four domestic banks, Banesto, Central, Hispano and Pastor, have shareholdings in the company ranging from 2.5 to 4.5 per cent.

The sources said conversations with RWE had begun in July and that they expected negotiations to be completed in the course of September. They said that RWE, the eighth-ranked company in West Germany, would be a welcome shareholder with a view to 1992 deregulation because it was "powerful and privataly owned."

The nationalised French utility Electricité de France, which could be exporting electricity to Spain at competitive prices after 1992, is known to be interested in buying into the Spanish electrical sector, but its overtures have hitherto been treated with caution by domestic companies on account of its state ownership.

The Unión Eléctrica-Fenosa initiative could, however, he the starting pistol for similar cross-national deals. The Spanish utilities, which faced considerable debt problems early in the decade and only began to generate positive funds from operations last year, are in general believed to be undervalued and in need of financial leverage.

The Spanish company posted net profits of Pta10.4bn last year, up from Pta9.7bn in 1987, on sales of Pta202.7bn. Heavily dependent on hydroelectric power, Unióu Eléctrica-Fenosa's profits grew by just 0.6 per cent in the first quarter of this year to Pta3.4bn, following months of low rainfall.

# Commerce Commission clears sale of NZ Steel

**By Our Financial Staff**

THE NEW ZEALAND Commerce Commission, the country's antitrust authority, has clsared the NZ$323m (US$190m) purchase of New Zealand Steel, the country's only integrated steelmaker, by a consortium including Broken Hill Proprietary (BHP), its larger Australian equivalent.

"The commission acknowledges that BHP is a major source of import competition and that imports from other major sources may decrease," a statement yesterday said. "However, it is satisfied that third country sources – including 'non-traditional' suppliers to New Zealand – will provide effective constraint on the merged entity."

Last month the commission had refused fast-track approval for the sale because of BHP's role as a big shipper of steel to New Zealand. BHP holds a direct 31 per cent in the consortium, called Helenus, and influences a further 25 per cent through its Steel & Tube Holdings associate.

The deal is still opposed by the Trade Practices Commission, the Australian counterpart to the New Zealand authority. An official said it would persist with legal action to halt the sale.

Fletcher Challenge, New Zealand's largest company and a rival suitor for NZ Steel, has also contested BHP's involvement on monopoly grounds.

Helenus is buying 80 per cent of NZ Steel from the statutory managers of Equiticorp International, the collapsed investment company, and 20 per cent from Fisher and Paykel Industries, which instead has taken a 25 per cent stake in Helenus.

ANZ Banking Group owns the remainder of Helenus.

Its offer was accepted five weeks ago after an earlier agreement to sell NZ Steel to the Chinese state Minmetals collapsed. ● The New Zealand-based Brierley Investments (BIL) has paid A$11m for a 10.2 per cent stake in Ariadne Australia, an investment company hit hard in the October 1987 crash.

The shares were bought on-market at around 15 cents.

## Litton reports encouraging set of group profits

**By Roderick Oram in New York**

LITTON INDUSTRIES has reported higher earnings for its latest fiscal year, with higher profits from its industrial and marine divisions offsetting a small decline at its advanced electronics operations.

Net profits for the fourth quarter ended July 31 were $46.6m, or $1.86 a share, against $43.7m, or $1.66 a share. Sales edged ahead to $1.32bn from $1.31bn. Net profits for the fiscal year was $178.3m, or $7.05, against $167m, or $6.33. Sales were $5.02bn against $4.86bn.

The California-based group said delays in car manufacturers' engine programmes could cause short-term slowdown for its industrial automation division, but the sector outlook "remains very positive."

If weak car sales do not affect Litton's industrial automation business, analysts believe net profits per share could be $7.50 this fiscal year.

Investment in geophysical services operations should result in increased revenues and market share.

## National Bank profits lower

**By Our Financial Staff**

NATIONAL BANK of Canada, the smallest of Canada's big six chartered banks, yesterday reported a 4 per cent fall in net earnings for the third quarter of this fiscal year, to the end of July, to C$65.5m, or 50 cents a share, from C$68.1m, or 58 cents a share, in the same period of last year.

Net nine-month earnings rosa by 81.1 per cent, to C$208.7m, or C$1.63 a share, compared with C$159.2m, or C$1.32 a share, in the sama period of last year.

The provision for loan loss in the third quarter was C$40.3m, compared with C$54.1m a year earlier.

Non-performing private risk loans to the end of July, net of provisions, stood at C$356m, and non-performing sovereign loans were C$763m.

After deducting C$522m or 40 per cent in general provisions, net sovereign loan exposure was C$783m and represented 45 per cent of shareholders' equity, down from 67 per cent a year earlier.

## Fewer losses lift SA insurer

**By Jim Jones in Johannesburg**

AN ABSENCE of natural catastrophes and a marginal improvement in losses as a result of crime combined to lift the underwriting profit of Mutual & Federal, one of South Africa's largest short-term insurers, in the year to June.

Gross premium income rose to R826m from R743m, the year's underwriting surplus was R54.0m against R45.4m and investment income rose to R91.0m from R58.3m.

Premium income has slowed as Mutual & Federal has cut rates to maintain market share in the face of greater competition from foreign and domestic insurance companies. Insurance analysts expect the rate cutting to continue for at least a year, leading to a narrowing of underwriting profits.

Net earnings increased to 194.9 cents a share from 138.4 cents and the year's dividend has been lifted to 30 cents from 22.5 cents.

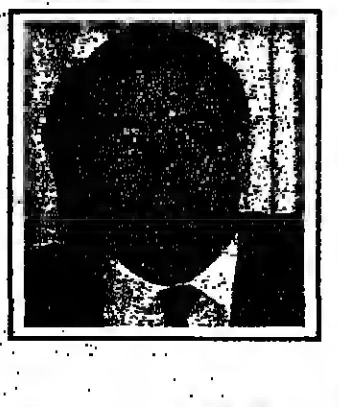
Mutual & Federal is controlled by Old Mutual, South Africa's largest life assurer.



SOUTH AFRICAN RESERVE BANK

# "ECONOMIC ADJUSTMENT FOR FUTURE GROWTH"

Extracts taken from the address by Dr C. L. Stals, Governor of the South African Reserve Bank, at the sixty-ninth ordinary general meeting of shareholders of the Bank on 29 August 1989



### DOMESTIC ECONOMIC DEVELOPMENTS

**Topping-out of economic upswing**

From the calendar year 1987 to the calendar year 1988, the total South African demand for goods and services expanded at a vigorous rate with the result that total real gross domestic expenditure was 7 per cent higher in 1988 than in 1987. Real gross domestic product increased at a more modest but also relatively high rate and in 1988 exceeded its counterpart in 1987 by somewhat more than 3 per cent.

A slowdown to an annualised growth rate in real gross domestic product of slightly more than 1½ per cent was, however, recorded from the second half of 1988 to the first half of 1989. Real gross domestic expenditure moved essentially sideways from the second quarter of 1988.

Movements in domestic output and expenditure suggest that the upswing is likely to have peaked in late 1988 or early 1989.

**Sustained rapid but decelerating growth of bank credit and the money supply**

The growth rates in the money supply and in bank credit accelerated from the second quarter of 1987 up to the third quarter of 1988, but receded significantly thereafter. The quarter-to-quarter rate of increase in M3 in seasonally adjusted and annualised terms, reached a high point of 29,5 per cent in the third quarter of 1988 before retreating to 17,0 per cent in the second quarter of 1989. Similarly, the seasonally adjusted and annualised quarter-to-quarter rate of increase in all monetary institutions' claims on the private sector declined from 33,2 per cent in the third quarter of 1988 to 13,0 per cent in the second quarter of 1989.

**Inflation turns up**

Inflation as measured by the year-to-year increase in the annual average consumer price index slowed down from 18,6 per cent in 1986 to 16,1 per cent in 1987 and to 12,9 per cent in 1988, but accelerated to an average level of 14,3 per cent in the first half of 1989 compared with the first six months of 1988.

The rate of increase in the overall production price index likewise slowed down from 19,6 per cent in 1986 to 13,9 per cent in 1987 and to 13,2 per cent in 1988. It then accelerated to 15,3 per cent in the first six months of 1989 compared with the first six months of 1988.

### BALANCE OF PAYMENTS DEVELOPMENTS

**Current account surpluses maintained**

As was to be expected in the third year of an economic upswing, the surplus on the current account declined in 1988 and the first half of 1989, namely from R6,2 billion (or 3,7 per cent of gross domestic product) in 1987 to only R2,9 billion (1,5 per cent of GDP) in 1988, and to an annualised level of R2,3 billion (1,1 per cent of GDP) in the first half of 1989.

**Further large outflows of capital**

The markedly improved position on the capital account of the balance of payments during 1987 and the first quarter of 1988 was not sustained during the remainder of 1988 and the first half of 1989. The total outflow of non-reserve-related capital rose from R3,1 billion in 1987 to R6,5 billion in 1988 and amounted to R2,9 billion in the first half of 1989.

**Continued pressure on the exchange rate and the foreign reserves**

Having strengthened mildly through 1987, the effective exchange rate of the *commercial rand* weakened through the first ten mooths of 1988 and again from approximately the middle of January 1989 to the middle of June 1989. After a slight recovery up to 2 August 1989, the effective exchange rate declined again during August. The decline in the effective exchange rate from the beginning of 1988 to 24 August 1989 amounted to 20,4 per cent.

The *financial rand* strengthened against the dollar by nearly 50 per cent in 1987 and by a further 15,5 per cent up to mid-March 1988 while the discount against the commercial rand dropped from 40,7 per cent to 29,2 per cent over the same period. This improvement seems to have been mainly due to considerable interest by overseas investors in non-listed industrial and other investments in South Africa, particularly since the broadening of the application of financial rand on 8 August 1986. The financial rand weakened, on balance, by 27,0 per cent from the beginning of 1988 to R4,26 per dollar on 10 May 1989, and further to R4,37 per dollar on 24 August 1989.

South Africa's total gross gold and foreign reserves declined, on balance, from R8,7 billion (US$4,2 billion) at the end of August 1987 to R8,2 billion (US$3,9 billion) at the end of March 1988 and further to R7,4 billion (US$2,7 billion) at the end of June 1989.

### MONETARY AND FINANCIAL POLICY

**Anti-inflationary policy**

Following the progressive improvement in the domestic ecooomy during the course of 1988, the monetary authorities recognised the emerging danger of a new escalation in inflation. Prices already started to rise more rapidly early in 1988. With a new phase of economic consolidation underway, the main emphasis of monetary policy is now directed towards the curtailment of inflation.

There is no easy solution to the problem of inflation. In terms of the Government's anti-inflation programme, the attack against inflation must be on a wide front, spearheaded by restrictive monetary and fiscal policies. The time is now opportune for a serious launching of this attack. The Government has already declared its intentions to address the deficiencies of fiscal policy. Increases in Government expenditure must accordingly be strictly controlled; the deficit before borrowing must be reduced to eliminate dissaving by the Government; the role of the public sector in the total economy must be reduced; while the efficiency of public sector expenditure should be improved through privatisation and deregulation.

As far as monetary policy is concerned, it is imperative that increases in the money supply should as soon as possible be brought within the declared target range of 14 – 18 per cent; positive real rates of interest should be maintained; and the country's foreign reserves should be strengthened to afford the authorities more freedom of action in the management of the exchange rate of the rand.

**Balance of payments adjustment policy**

Changes in South Africa's international economic relations since 1985 forced certain structural adjustments oo the economy which could only be accomplished through some sacrifices in terms of the domestic economic development process. The withdrawal of foreign loan finance necessitates that the current account of the South African balance of payments should always be in surplus, even during the expansionary phases of the domestic business cycle. This inevitably means accepting, for the time being, a lower growth rate than would have been the case under normal circumstances.

During the past four years, i.e. since the middle of 1985, good progress has been made on the difficult road of economic adjustment. Throughout the expansionary phase from April 1986 to December 1988, and also in the first six months of the subsequent consolidation period, the current account remained in surplus. South Africa was therefore able to continue to service its foreign debt in accordance with the First and Second Interim Debt Arrangements with its foreign creditors.

In the economic adjustment process the exchange rate played a major role. A substantial depreciatioo of the rand over this period undoubtedly served to foster the competitiveness of South African exporters and, at the same time, provided additional protection to local import-competing industries.

Structural adjustment is not confined to the current account of the balance of payments only. South Africa's foreign debt is also in the process of beiog restructured in terms of the total outstanding amount and eventual maturities. The total foreign debt, measured in terms of current exchange rates, has been reduced from US$23,7 billion at the end of August 1985 to US$21,2 billion at the end of 1988. Only US$9,1 billion of this latter amount was still subject to the restrictions of the debt standstill arrangements, compared with US$13,6 billioo at the end of August 1985.

The process of economic adjustment has not yet been completed. The continuing relatively large outflow of capital dictates the need for a continuation of restrictive monetary and fiscal policies. There also remains an urgent need for South Africa to replenish its foreign exchange reserves. The advantages to be gained from a higher level of foreign reserves are obvious. It will make the management of the economy, and in particular of the foreign exchange rate, more effective. These advantages make an investment in additional foreign reserves a logical option for the country at this stage.

**Monetary policy**

Against the background of the domestic and international financial and economic developments over the past eighteen months, the Reserve Bank seeks no further vindication for its restrictive policy approach over this period. The Bank indicated its resolve to avoid any major deterioration in either the internal or the external financial stability of the country by increasing its Bank rate from 9,5 to 10,5 per cent on 9 March 1988, and followed this up by five further upward adjustments in Bank rate to its present level of 17,0 per cent.

In retrospect the Bank is of the opinion that a more aggressive tightening of monetary policy, especially in the first half of 1988, would have avoided some undue strains on the foreign reserves and the exchange rate of the rand in the latter half of thet year. In the event, speculation became rife towards the middle of last year that South Africa would not be able to meet all its commitments in terms of the foreign debt standstill arrangements. However, the subsequent further tightening of both fiscal and monetary policies allayed these fears.

The need remains for a continuation of a restrictive monetary and fiscal policy approach. We would be neglecting our responsibilities if we were to allow the extension of bank credit, the money supply and total spending in the economy, to expand unchecked. An easier monetary policy stance at this stage could easily lead to more inflation, serious balance of payments problems and the eventual erosion of financial stability.

A successful anti-inflationary monetary policy requires strict financial discipline, not only in times of expanding demand, but also in the recessioo phases of the business cycle. There is an essential longer-term need for interest rates to be durably positive in real or inflation-adjusted terms.

**Bank and building society supervision**

Monetary policy in South Africa is condncted mainly by means of market-oriented measures. A pre-condition for the successful application of such measures is that markets should exist where normal demand and supply conditions function properly, and where market results respond sensitively to changes in the underlying conditions.

Sound basic macro-economic policies that promote financial stability are needed for the protection and for the retention of the market system. In addition, wherever possible, market structures must be improved by removing unnecessary impediments, by deregulation and by increased competition.

Since April 1987, when the Reserve Bank assumed responsibility for bank and building society supervision, the Office of the Registrar of Banks and Building Societies took various steps to improve the existing financial structure. The Banks Act will be further revised in the coming year to provide, amongst other things, for the establishment of a more level "playing field" for banking institutions and building societies relative to other financial organisations and institutions. Further attention will also be given to an improvement of sound internal management and control systems, and to the provision of appropriate management and accounting information within the institutions concerned.

### CONCLUDING REMARKS

The year to June 1989 marked the end of an opswing in the South African economy that commenced early in 1986, remained fairly mild throughout the first two years of its existence and then showed considerable vigour throughout the calendar year 1988. In retrospect, the year 1988 proved to be a relatively good ooe for the economy. In that year we succeeded in finding a combination of:

- an increase in the domestic economic growth rate, as measured in terms of the real rate of increase in gross domestic product, or in gross national product or in gross domestic expenditure;
- a lower rate of inflation as measured in terms of the changing consumer and producer price indices compared with the preceding year; and
- the maintenance of a smaller but still reasonable surplus oo the current account of the balance of payments.

These favourable developments were, unfortunately, marred by two less favourable developments which led to an early conclusion that it would be unwise to allow the major economic trends of 1988 to continue on an unrestricted basis into 1989. These unfavourable developments were:

- an unacceptably high rate of expansion in bank lending to the private sector to finance the increased spending, both of a consumer and investment nature. The unduly large increase in bank lending caused the money supply to increase at a much faster rate than provided for in the Reserve Bank's money supply targets; and
- a disappointingly large net outflow of capital which continued despite the more buoyant domestic economic conditions and a relatively large increase in the total foreign trade turnover.

Against the background of these developments, various stresses and strains showed up in the more vulnerable areas of the economy:

- although remaining positive the surplus on the current account of the balance of payments declined and the foreign reserves have now reached an uncomfortably low level;
- the exchange rate weakened and a further depreciation of the rand exerted upward pressure on domestic prices; and
- the inflation rate has been accelerating.

Given these circumstances monetary and fiscal policies were progressively tightened, mainly with the objective of reducing the high rate of increase in domestic demand. The Reserve Bank's cootribution came mainly from a more restrictive approach on its policy of providing accommodatioo to the banking system, with the result that interest rates rose sharply.

A oumber of reasons remain, however, which militate against any premature relaxation of the current restrictive policy approach. Problems such as the rising trend in inflation, the low level of the country's foreign reserves, the still excessive rates of increase in bank credit extension to the private sector, rises in the money supply at rates that are still above the upper limit of the Bank's accepted target range and the high level of public sector expenditure need further consolidation before any restimulation of the ecooomy can be justified.

The Reserve Bank is therefore of the opinion that the consolidation phase in the economy should cootinue for the rest of 1989 and, if necessary, at least throughout the first half of 1990. South Africa now has a great opportunity to establish a sound base for future economic growth. Over the past eighteen months, the economy proved its resilience and surprised many observers, inside and outside the country, with a laudable performance despite the many constraints placed oo it. A few weaknesses were, nevertheless, revealed. Now, in this period of consolidation, it is incumbent on us to attend to these weaknesses.

## INTERNATIONAL COMPANIES AND FINANCE

# Questions over Taiyo share surge

### Michiyo Nakamoto on stock buying before a Japanese bank merger

The proposed merger of Japan's Mitsui Bank and Taiyo Kobe Bank to create the second largest bank in the world may have surprised most financial experts, but a dramatic surge in buying of Taiyo Kobe shares several weeks ago by a relatively small stockbroker has raised questions about who knew what.

A Taiyo Kobe official yesterday admitted that bank customers were encouraged to buy its shares two months ago, and three months after negotiations began with Mitsui Bank, but said the bank was simply attempting to win customer loyalty by securing them as shareholders.

And a Tokyo Stock Exchange official said an investigation was being conducted into Taiyo Kobe trading, but emphasised that this was routine practice after any large merger announcement.

Then there is the curious role of Shinei Ishino Securities, a small broker affiliated with Taiyo Kobe Bank, and which reportedly handled purchases of 4.23m Taiyo Kobe shares in July alone – it sold only 860,000 in the same period, and in the six months before the merger handled purchases of a total of 6.56m shares, itself a substantial figure.

Mr Kazuo Sekiya, head of the trading surveillance department at Shinei Ishino, admitted that "the company's trading volume in Taiyo Kobe increased dramatically at the time," but denied that the firm had any knowledge of the planned merger.

He did not think the surge was suspicious, but was pleasantly surprised, presuming that Taiyo Kobe "was recommending us to its customers."

Turnover in Taiyo Kobe's shares snowballed more than 30 times from a mere 75,000 on June 19 to 3.03m on July 11. The price during that period surged 20 per cent from Y1,350 to Y1,630.

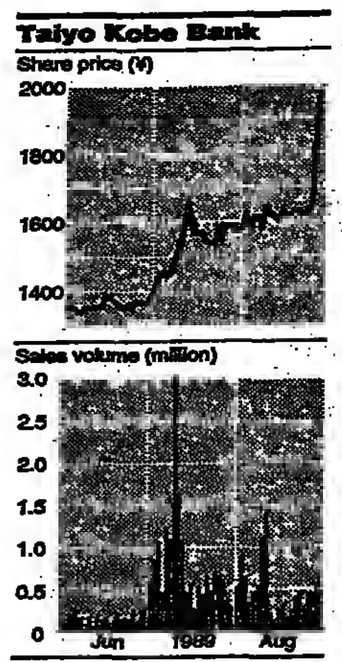
Share prices in other "city" – or commercial – banks also rose then, but the gain in Taiyo Kobe far outstripped the rest.

For example, Sumitomo Bank, presently the second ranking city bank, and a stock which usually responds to interest in the sector, gained a bare Y10 during those same three weeks to Y3,460 on July 11, when its volume was 1.29m shares.

For the eighth-ranked Taiyo Kobe "to have volume in excess of the bigger banks is surprising," said an analyst at one big Japanese brokerage.

Officials at Taiyo Kobe deny reports in the Japanese press that the company is being investigated for insider trading.

Mr Yoshihiro Koga, head of public relations, did confirm that the bank's branch managers had urged some customers in late June to buy the company's shares.




Mr Koga said the bank had started the nationwide campaign among customers partly to increase the number of small-lot shareholders in the hope that they would become more committed to the bank, but said that the timing of the campaign was purely coincidental.

"It just happened to come at the same time that negotiations were being conducted concerning the merger," he said.

However, Mr Koga was not certain who was responsible for launching the campaign and whether anyone with knowledge of the merger was involved.

"I don't think there were any executives among those responsible," he said.

According to Mr Koga, the decision to start the campaign stemmed from a need to increase the bank's capital adequacy in line with new Bank for International Settlements rules.

To meet the 8 per cent capital adequacy ratio Taiyo Kobe, with a ratio of 7.4 per cent, had been raising capital twice a year, he said, and June was the best time to start a shareholder campaign because the bank had already raised funds in March and would be doing so again in October.

At the same time, Mr Koga said, the bank wanted to win loyal depositors since people who hold shares in a bank are more likely to put their money there.

He said reform of interest rate structures meant that people were opening and closing accounts, and the bank was trying to take advantage of that.

Mr Koga also suggested that the share price of Taiyo Kobe was undervalued at the time.

# Packaging side boosts Amcor

By Chris Sherwell in Sydney

STRONGER SALES and profits from packaging operations have outweighed a weaker performance in pulp and paper to give Amcor of Australia a sharp overall rise in annual revenue and earnings.

For the year to June it showed a 34 per cent rise in after-tax operating profit to A$149.5m (US$113.6m) on revenues which increased to A$2.2bn from A$1.8bn.

On an equity-accounted basis – which principally includes its 45 per cent investment in the Mayne Nickless transport group – net profit was A$172.4m, up 26 per cent, on revenues of A$3.5bn.

Extraordinary losses of almost A$46m, arising from restructuring costs and write-offs of brand names and acquisition premiums, left an attributable profit of A$123m, down from A$150.2m.

Earnings per share were 45.7 cents, up from 38.1 cents, adjusted for a one-for-10 scrip issue. A final dividend of 14 cents gives a total 26.5 cents against an adjusted 21.4 cents.

According to Mr Stan Wallis, managing director, the packaging division is assuming an increasingly dominant role in the group and sales revenues offshore are growing rapidly. Sales of packaging products were 26 per cent higher.

In Britain production is already under way at the new A$46m Cambridgeshire plant only seven months after construction began.

The group has completed its A$140m purchase of Twinpak in Canada and taken 48 per cent stake of Sunclipse of California with an option on the remainder.

# Lend Lease advances 15% to record

By Chris Sherwell

LEND LEASE, the large Australian property and financial services group, yesterday reported record after-tax annual earnings of A$135.6m (US$103m), up 15 per cent, on a 12 per cent rise in revenues to A$1.48bn.

The group declared it was in a strong financial position, with total assets at A$1.86bn, gearing down to 19 per cent and shareholders' equity rising 56 per cent to top A$1bn for the first time.

"All companies within the group are in a strong position and we are budgeting for an increased profit again this year," said Mr Stuart Hornery, chairman.

A final dividend of 27 cents a share, fully franked for tax purposes, making a total for the year of 69 cents in ordinary and special payouts.

On the property side, Lend Lease's Civil & Civic construction arm contributed earnings of almost A$24m, and the development arm, Lend Lease Development, contributed A$12.4m. Management of commercial, retail and residential property generated another A$12.7m.

In financial services, the principal contribution of A$40.4m came from MLC Life, the life assurance group.

# INTERNATIONAL CAPITAL MARKETS

## Japan heads for market in asset-backed securities

By Norma Cohen

JAPAN COULD develop a market in asset-backed securities by the early 1990's in spite of the virtual absence of these securities there now, according to analysts at Moody's Investors Service.

The analysts note that while the Japanese have been slow to securitise domestically-generated assets, they are already significant buyers of US-securitised assets and are experimenting with the securitisation of US assets for sale into the Euromarkets. These range from car loans to a 45-storey building in Manhattan.

Among the forces driving securitisation in Japan is the need for the country's banks to comply with international standards on bank capital adequacy. These raise the cost of keeping assets on the balance sheet by forcing banks to hold capital against them. Also, public policy pressure is building to reduce demands on government funding and to develop private sources of stable and cheap capital.

Securitisation could accomplish this for certain types of project finance. Already, Moody's notes, Japan's Government Housing Loan Corporation, with Y30,000bn outstanding in home loans, has considered redirecting some of the Government's funding burden to the private markets by placing securitised loan products with investors.

While housing loans could well be among the first assets earmarked for securitisation in Japan, Moody's analysts speculate that there is a greater need to securitise the much larger corporate loan assets of Japanese banks. These assets total about Y235,000bn against the Y3 to Y5,000bn in housing loans. The analysts speculate that the first liberalisation of government rules for corporate loans will allow the transfer of bundles of these assets to other financial institutions – provided permission of the debtors is obtained.

However, significant obstacles remain in the path of packaging Japanese assets into tradeable securities, particularly from government regulations which set restrictions on the types of risks that debt investors are allowed to take on. Significantly, the concept of a non-recourse vehicle – a borrowing vehicle with no recourse to the assets or credit lines of a larger parent company – has not been embraced in Japan.

Japanese bankruptcy law remains murky on the critical questions posed by the insolvency of a special purpose financing vehicle – a point which is fairly well established in US bankruptcy law. Also, the transfer of titles of consumer loans – a necessary step in the repackaging of these assets into saleable securities – is expensive and cumbersome.

Furthermore, Japanese institutions often lack the back-office systems necessary for efficient administration of complex asset-backed instruments. Until computer hardware and software improves, mechanical difficulties will impede the development of this market.

## Barclays offers to exchange floating rate notes

By Norma Cohen

BARCLAYS BANK is offering to exchange up to $450m in five-year old perpetual floating rate notes for another class of securities because the original securities will not count as Tier 2 capital for regulatory purposes.

Barclays issued $600m of so-called Undated Floating Rate Primary Capital Notes Series 2 in November 1984 which paid interest semi-annually at ¼ per cent over Libor (London interbank offered rates).

However, the Bank of England has typically required capital instruments to include covenants barring payment of interest to bond holders when dividends to shareholders are ommitted, and the Barclays 1984 series bonds included no such covenant.

Kidder Peabody International is arranging the exchange offer. The securities offered in exchange do include that covenant, as well as several others deemed necessary by the Bank of England relating to acceleration of payment, winding up and events of default.

The securities carry a slightly lower interest rate of ¾ over Libid (London interbank bid rates). But investors which tender their bonds will be compensated by payment of $500 for every $10,000 in bonds exchanged. The old bonds had been trading in the secondary markets at a discounted price which achieved a margin of about 100 basis points over Libor. The new bonds had traded at a price about 2½ per cent below that.

## Canadian bonds unshaken despite grim trade data

By Katharine Campbell in London and Karen Zagor in New York

GLOOMY DATA regarding the performance of the Canadian economy during the second quarter had remarkably little effect either on the currency or on the bond market. Dealers pointed out that today's US unemployment figures are likely to move prices more significantly.

The current account for the second quarter clocked up a record C$5.67bn (US$4.83bn) shortfall, well up on the first-quarter figure of C$3.7bn, and above almost all forecasts. Contributing factors were higher oil imports, and lower exports of non-ferrous metals, and wheat.

Moreover, the annualised growth rate of the domestic economy for the same period fell to 0.8 per cent, which at first sight appeared to put pressure on the Bank of Canada to moderate its two-year-old anti-inflationary stance.

But the currency even rallied a touch against the US dollar during the morning, and bonds fell only modestly. The benchmark 10 per cent bonds due 2008 were quoted some 30 cents lower during the morning at 105.40 to yield 9.38 per cent, and losses in five-year maturities were between 5 and 10 cents.

Shorter maturity paper failed to respond to the possibility of an easing in monetary policy, concentrating rather on the news that consumer spending was still very buoyant in the second quarter, growing at 5 per cent.

### GOVERNMENT BONDS

US TREASURIES drifted lower yesterday on very light volume as investors and traders geared down for the Labor Day holiday weekend and squared their positions ahead of today's important employment data for August.

"The bond market is brain dead," said one analyst. The Treasury's benchmark 30-year bond finished down ⅛ point at 99⅛, yielding 8.18 per cent. The Federal Reserve arranged overnight matched sale-purchase agreements in order to drain reserves when Fed funds, the rate at which banks lend to each other, were changing hands at 8⅞ per cent.

The dollar strengthened in New York with traders expecting the employment figures to confirm the good health of the US economy. In late trading the dollar was at Y145.0 and DM1.9660.

Although factory goods orders for July fell 1.7 per cent, considerably more than the expected 0.6 to 0.7 per cent, the debt market was unmoved by the news. Durable goods orders were revised 0.3 per cent lower to a decline of 2.2 per cent.

Analysts expect August non-farm payrolls to increase by around 60,000. The market is not expected to move sharply unless growth is above 100,000 or below 50,000.

■ TERMS FOR the new German federal bond will be set on September 5. Dealers were expecting a coupon of 6¾ per cent, probably priced marginally over par.

The latest issue was in early July, with a 6¾ per cent coupon, at 100.25.

Meanwhile, trading was subdued, with the strength of the dollar a distinct dampener, and dealers reported some selling in the shorter maturities, reflecting continued fears for a further interest rate rise by the Bundesbank. This caused a slight inversion of an otherwise very flat yield curve.

On Liffe, the September bund future finished weaker, at 94.32, compared with 94.45 on Wednesday.

■ A DEARTH of activity in the UK gilt market meant that some modest position squaring by market-makers knocked ½ point off prices in some places. A £100m Eurosterling issue for NatWest, combined with weakness in sterling aginst the dollar, contributed to the negative tone. On Liffe, the long gilt finished ⅞ point weaker at 95-15.

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| UK GILTS | | 13.500 | 9/92 | 106-21 | -13/32 | 10.89 | 10.70 | 10.78 |
| | | 9.750 | 1/98 | 97-20 | -18/32 | 10.17 | 10.03 | 10.07 |
| | | 9.000 | 10/08 | 97-14 | -18/32 | 9.29 | 9.22 | 9.18 |
| US TREASURY * | | 9.125 | 5/99 | 105-11 | -5/32 | 8.31 | 8.28 | 7.88 |
| | | 8.875 | 2/10 | 106-23 | -7/32 | 8.26 | 8.23 | 7.81 |
| JAPAN | No 111 | 4.600 | 6/98 | 96.9617 | -0.285 | 5.10 | 5.06 | 5.03 |
| | No 2 | 5.700 | 3/07 | 106.1481 | -0.169 | 5.04 | 4.97 | 4.92 |
| GERMANY | | 7.000 | 2/99 | 101.0500 | -0.050 | 6.84 | 6.79 | 6.59 |
| FRANCE | BTAN | 8.000 | 1/94 | 97.4436 | -0.098 | 8.70 | 8.68 | 8.44 |
| | OAT | 8.125 | 5/99 | 96.2200 | +0.080 | 8.69 | 8.43 | 8.30 |
| CANADA * | | 10.250 | 12/98 | 104.1000 | -0.100 | 9.58 | 9.47 | 9.02 |
| NETHERLANDS | | 7.000 | 3/99 | 98.8800 | -0.050 | 7.17 | 7.11 | 6.93 |
| AUSTRALIA | | 12.000 | 7/99 | 94.9104 | +0.264 | 12.92 | 13.09 | 13.13 |

London closing. *denotes New York closing

Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

### FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on August 31

| US DOLLAR STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Alberta 9⅛ 95 | 600 | 102½ | 102⅞ | 0 | -0⅛ | 8.79 |
| Austria 9⅝ 93 | 140 | 101⅝ | 102⅛ | +0⅛ | 0 | 0.95 |
| B.F.C.E. 7 92 | 150 | — | — | — | — | — |
| B.F.C.E. 9⅛ 95 | 150 | 101⅞ | 102⅜ | 0 | -0⅛ | 0.80 |
| [illegible] | | | | | | |

| YEN STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Canada 6¼ 91 | 80 | 100⅞ | 101⅛ | -0⅛ | -0⅛ | 5.37 |
| Canada 5¾ 93 | 80 | 101⅜ | 101⅞ | -0⅛ | -0⅛ | 5.29 |
| Eurofima 5 1995 | 20 | 98⅝ | 99⅛ | -0⅛ | -0⅛ | 5.23 |
| E I B 4⅝ 93 | 30 | 98⅝ | 99 | -0⅛ | -0⅛ | 5.26 |
| [illegible] | | | | | | |

| OTHER STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

| DEUTSCHE MARK STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

| SWISS FRANC STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

| FLOATING RATE NOTES | Spread | Bid | Offer | C.dte | C.cpn | C.yld |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

| CONVERTIBLE BONDS | Cnv. date | Cnv. price | Bid | Offer | Chg. day | Prem |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

* No information available–previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier. [illegible]

Floating Rate Notes: [illegible]

Convertible Bonds: [illegible]

## INTERNATIONAL CAPITAL MARKETS

# Heavy over-supply buffets Ecu new issues

By Andrew Freeman

HEAVY RECENT SUPPLY of almost Ecu1bn worth of paper in the Eurobond market finally caught up with syndicate managers yesterday, as prices of new issues fell across the board. Traders said the market was saturated.

Secondary market issues fell

### INTERNATIONAL BONDS

by ¼ point, while the recent British Telecom five-year deal fell by ¼ point to less 2.55 bid, and Wednesday's Japan Development Bank fell to less 3.10 bid, down a similar amount.

Against that background, LTCB International brought a swap-driven deal for its parent bank.

The bonds offered an 8⅞ per cent coupon and were bid on full fees at less 1⅝ bid by the lead manager. The proceeds were swapped into floating-rate US dollars.

An Ecu50m deal for *Total* launched by Sumitomo Finance was also swapped into floating dollars. It was quoted around less 1.85 bid by the lead, amid limited retail interest.

Deutsche Bank Capital Markets reverted to traditional syndication methods as it issued an A$100m 10-year deal for the Commonwealth Bank of Australia.

The bonds offered a yield pick-up of around 47 basis points over the 12 per cent domestic bond.

*The lead manager and other* syndicate members reported unexpectedly strong retail-orientated demand for the paper, which initially traded strongly at less 1.80 bid.

Sales were quickly made to funds in Germany and Belgium, and the issue's firm tone was dented only slightly when Commerzbank launched an almost identical deal later in the day.

By the close, the paper was trading at less 1.85 bid, well inside full underwriting fees of 2¼ per cent.

*The Commerzbank deal for* the Australian Industry Development Corporation had a slower reception as the pocket of 10-year demand began to close. The lead manager was quoting the bonds at less 2¼ bid, on fees.

The sterling market was tapped by National Westminster Bank which issued a £100m three-year deal to an average reception against a difficult government bond market. A spread of 80 basis points over the equivalent gilt looked generous at launch, but was *seen as fairer after the gilts* market performed weakly. After good early sales, the bonds were trading around less 1.35 bid, marginally inside fees.

Wednesday's fungible 10-year £100m deal by UBS Phillips & Drew for the European Investment Bank traded steadily at its launch spread against gilts of 34 basis points, quoted by the lead manager at less 2.40 bid.

In Germany yesterday, the new issue market was active for the second day running. Two floating-rate note deals *were launched to a mixed* reception. The Amro Bank DM250m deal brought by Trinkhaus and Burkhardt traded at 99.70 bid, on co-managers' fees (including a 10 basis point listing fee). Salomon Brothers' DM150m issue for the EIB was quoted on fees at 99.95 bid.

A DM100m equity warrants deal for Itoman was issued by Dresdner Bank to a hot reception stimulated partly by the success of last week's deal for Rhythm Watch. The Itoman bonds traded at a 106½ bid, a fine premium.

Wednesday's DM200m unswapped deal for the African Development Bank brought by Deutsche Bank to good demand was trading at less 1.65 bid, almost unchanged and well inside full fees of 2 per cent.

In Switzerland, Warburg Soditic announced very late in the day a SFr125m convertible deal for *Carter Holt Harvey*, the New Zealand forestry company. A convertible for the borrower in March performed extremely well, quoted yesterday at 125 bid before the latest issue.

Investors in a previous 3¼ per cent deal can exchange their bonds for the new issue during the subscription period. By turning in a bond and paying for one new bond, investors can have two new bonds.

### NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees | Book runner |
|---|---|---|---|---|---|---|
| **D-MARKS** | | | | | | |
| Amro Bank(b)‡♦ | 250 | 1/16 | 100 | 1999 | 20/10bp | Trinkaus & Burkhardt |
| EIB(c)‡♦ | 150 | -15bp | 100.15 | 2006 | 20/10bp | Salomon Brothers |
| Itoman & Co.θ | 100 | (1½) | 100 | 1993 | 2¼/1⅜ | Dresdner Bank |
| **ECUs** | | | | | | |
| LTCB Ltd.(d)♦ | 75 | 8⅞ | 101½ | 1993 | 1⅝/1⅛ | LTCB Int. |
| Total(d)♦ | 50 | 8 | 102 | 1994 | 1⅞/1¼ | Sumitomo Finance Int. |
| **AUSTRALIAN DOLLARS** | | | | | | |
| C'wealth Bank Australia(d)♦ | 100 | 13¾ | 101⅝ | 1999 | 2⅛/1½ | Deutsche Bank Cap.Mkts |
| Australian Ind.Dev.Corp.(d)♦ | 75 | 13¾ | 101⅝ | 1999 | 2⅛/1½ | Commerzbank |
| **STERLING** | | | | | | |
| National Westminster Bk(d)♦ | 100 | 12 | 101.30 | 1992 | 1⅜/⅞ | NatWest Capital Markets |
| **US DOLLARS** | | | | | | |
| National Westminster Bk(e)♠♦ | 400 | 35bp | 100 | Undated | n/a | Salomon Brothers |
| Toho Rayon(f)θ♦ | 100 | 3⅝ | 100 | 1993 | 2¼/1½ | Daiwa Europe |
| **SWISS FRANCS** | | | | | | |
| Carter Holt Harvey Fin.(g)§ | 125max | (5½) | (100) | 1994 | 1½/1⅝ | S.G. Warburg Soditic |
| Harumoto Iron Works(h)★★§♦ | 30 | ½ | 100 | 1994 | n/a | Nikko (Switz) Finance |
| **SWEDISH KRONA** | | | | | | |
| AB Industrikredit(a)♦ | 350 | 11¼ | 101¾ | 1994 | 1⅞/1¼ | Svenska Int. |

★★Private placement. θWith equity warrants. §Convertible. ♠Variable rate notes. ‡Floating rate notes. ♦Final terms. a) Issue increased from SKr300m. b) 1/16 over 6-month Libor. Investor option to switch into fixed rate 6½% 10-year bond between Sept. 1990 and 1993. Call from Sept. 1994 at 100. c) 15bp under 6-month Libor. Call after 10 years at par. Sinking fund from 1991 giving average life of 10.2 years. d) Non-callable. e) Increased from $300m. 35bp over 3-month Libor. Fall back rate years 1-10 +80bp, thereafter +120bp. f) Coupon cut by ½% from indication. g) Investor can exchange one old convertible 3¼% 87/97 bond and pay for one new bond in exchange for two new bonds. h) Yield to put 3.704%.

# Group of foreign banks prepares to sue Norwegian Government

By Norma Cohen

A GROUP of 21 foreign banks plan to file writs in Norwegian courts today to recover funds lost following the winding up of state-owned arms maker Kongsberg Vaapenfabrikk in 1987.

The banks charge that the Norwegian Government has an obligation to compensate them for losses because it had strongly influenced KV's policy decisions in violation of the company's charter and that some of the projects undertaken as a result were not commercially viable. Also, the banks charge that the company's financial accounts were misleading.

Writs are to be filed against the Norwegian Ministry of Industry, the seven Board members of KV, its previous general manager and Deloitte Noraudit, the company's accountants.

KV, whose board of directors was appointed by the Norwegian Government and which relied on government injections of funds for working capital, was wound up in 1987 following years of heavy losses. However, KV was technically a public limited company and there was no formal obligation requiring the Government to stand behind its debts.

The wind-up order required the company's 33 bank lenders to accept a settlement of only 48.5 per cent of their loans estimated at the time at $340m. KV's Norwegian bank lenders are not participating in the legal action.

Mr John Church of Midland Bank, a spokesman for the foreign bank group, said the group had decided to take the highly unusual step of suing the Government following release of a report in May which had been conducted by Norway's own justice ministry.

That report concluded that the company was not run with the requisite "arms length" relationship with government that its articles of incorporation required and that board members were urged to approve projects that the Government wanted to see accomplished, according to Mr Church.

The report also found that the company retained, as assets in its balance sheets, the value of projects that had already been abandoned – in contradiction of generally accepted accounting principals, Mr Church said. Bankers made lending decisions to Kongsberg on the assumption that it behaved in accordance with its own charter and that its accounts were properly prepared.

The banking group, led by Midland Bank, Hambros Bank, Kansallis-Osake Pankki and Kleinwort Benson, had not pursued legal action against the Norwegian government up until now "because we never had enough information to mount a serious legal challenge," Mr Church said. Release of the report has changed that, he explained.

The bankers had been holding discussions with Norway's Ministry of Industry since the release of the report in May in the hope of securing further compensation. But earlier this week, the Norwegian cabinet decided against considering a request for further compensation.

# UK investors top the global equities league

## Stephen Fidler reports on new research from Salomon Brothers

British investors were the most active in the international equity markets in 1988 and are by far the largest holders of foreign equities, according to research published by Salomon Brothers, the US securities house.

UK investors initiated $224.1bn of cross-border equity transactions last year, equivalent to 18.5 per cent of all international equity trades. This compares with 21.7 per cent in 1986 and 17.3 per cent in 1987.

Britain remains the largest international equity investor. UK investors hold around $180.5bn in foreign equities, or 2 per cent of world equity assets outside the UK. This accounts for more than a quarter of all cross-border equity holdings, which total about $640bn – 6.4 per cent of the world markets' capitalisation.

The reason for this Salomon suggests, "is partly because of the international diversification of the UK economy and its culture, but it must also be attributed to the steady relative decline of the UK domestic economy and the associated secular fall in the value of sterling." It noted that the lifting of foreign exchange controls in 1979 led to a huge outflow of funds from the UK.

The British also feature significantly in the international mergers and acquisitions business. The firms calculated that about 2,500 international M & A deals occurred in 1988 involving transactions valued at $124.6bn.

Of this, UK companies acquired 385 US companies in transactions totalling $31.7bn last year. With purchases of companies valued at $4.6bn in continental Europe and at $7.9bn in the rest of the world, UK companies spent $44.2bn abroad on acquisitions. This compares with $16.2bn for US companies, $37.2bn for continental European companies and $0.5bn for companies from the rest of the world.

The research reveals a paradox: that in spite of the corporate restructurings in Europe leading up to 1992, some $45bn of equity risk capital flowed from Europe into the rest of the world in 1988. On the other side of the coin, the limited interest in Europe from the US and Japan means these countries could gain little from the European restructuring.

"The commitment of only $6.8bn of US equity capital to Europe in 1988 is small. If these trends continued, US investors and US firms could gain relatively little from the restructuring of Europe in the 1990s. Moreover, the flow of less than $3bn of Japanese equity capital means Europe is supplying most of its own capital needs."

Salomon says the international equity market has already more than recovered from the 1987 stock market collapse, which will make 1989 a record year for cross-border share trading.

Due to the crash, international equity turnover dropped by 9.8 per cent last year to $1,212.6bn. "In the aftermath of the worst stock market crash for a generation, cross-border activity did not slump significantly and cross-border trading volumes rose strongly through the course of 1988 and into 1989," says the report, by Mr Michael Howell and Ms Angela Cozzini of Salomon's London office.

Extrapolating recent trends suggests gross cross-border turnover in 1989 of $1,350bn-1,400bn, and net flows of $40bn-50bn, the report says.

However, in 1988, the fall in international new equity issues was more pronounced than the level of trading, with volume down by 23.9 per cent.

Other conclusions include:

● Alone among the main countries, Japan's gross international equity activity flows increased in 1988 relative to the previous year.

● Trading volume (sales plus purchases) in UK American Depositary Receipts totalled $26.8bn in the US in 1988, with a further 12 to 15 per cent of ADR trading in London.



## LONDON MARKET STATISTICS

### FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

| EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section) | Thu Aug 31 Index No. | Day's Change % | Est. Earnings Yield% (Max.) | Gross Div. Yield% (Act at 25%) | Est. P/E Ratio (Net) | xd adj. 1989 to date | Wed Aug 30 Index No. | Tue Aug 29 Index No. | Fri Aug 25 Index No. | Year ago (approx) Index No. |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 CAPITAL GOODS (208) | 998.15 | +0.8 | 10.70 | 4.07 | 11.39 | 20.88 | 990.37 | 990.92 | 998.08 | 745.18 |
| 2 Building Materials (29) | 1170.72 | +1.8 | 12.78 | 4.55 | 9.74 | 26.47 | 1150.28 | 1163.35 | 1179.73 | 942.05 |
| 3 Contracting, Construction (37) | 1544.57 | +0.4 | 15.42 | 4.63 | 8.47 | 33.67 | 1538.00 | 1546.28 | 1578.45 | 1478.49 |
| 4 Electricals (9) | 3004.52 | +0.9 | 8.29 | 3.94 | 13.01 | 52.79 | 2976.52 | 2978.00 | 2995.49 | 2053.59 |
| 5 Electronics (31) | 2251.30 | +1.0 | 8.61 | 3.31 | 13.04 | 47.99 | 2229.33 | 2210.68 | 2228.12 | 1624.51 |
| 6 Mechanical Engineering (56) | 552.33 | +0.9 | 9.77 | 4.01 | 12.47 | 10.58 | 547.23 | 544.51 | 545.82 | 394.99 |
| 8 Metals and Metal Forming (6) | 527.64 | -0.1 | 19.51 | 5.69 | 5.65 | 14.84 | 528.15 | 520.64 | 533.74 | 444.19 |
| 9 Motors (17) | 365.07 | -0.1 | 10.52 | 4.23 | 11.13 | 8.25 | 365.45 | 368.03 | 369.20 | 259.47 |
| 10 Other Industrial Materials (23) | 1858.36 | +0.2 | 8.37 | 3.76 | 14.26 | 34.02 | 1854.06 | 1854.52 | 1860.43 | 1215.95 |
| 21 CONSUMER GROUP (184) | 1392.63 | +0.5 | 7.81 | 3.68 | 16.88 | 22.18 | 1386.34 | 1385.32 | 1391.46 | 1019.23 |
| 22 Brewers and Distillers (22) | 1536.23 | +0.2 | 8.46 | 3.18 | 14.44 | 25.43 | 1533.85 | 1534.15 | 1539.72 | 1057.75 |
| 25 Food Manufacturing (20) | 1204.98 | +0.3 | 8.40 | 3.47 | 14.89 | 21.84 | 1201.52 | 1204.84 | 1213.26 | 918.67 |
| 26 Food Retailing (14) | 2689.61 | +0.6 | 7.55 | 2.56 | 17.51 | 38.37 | 2674.28 | 2668.62 | 2674.71 | 1865.44 |
| 27 Health and Household (14) | 2694.41 | +0.6 | 5.46 | 1.15 | 21.61 | 22.32 | 2678.23 | 2658.55 | 2667.58 | 1764.95 |
| 29 Leisure (34) | 1785.82 | +0.6 | 7.04 | 3.16 | 17.61 | 31.23 | 1775.58 | 1781.26 | 1792.57 | 1268.75 |
| 31 Packaging & Paper (15) | 618.97 | +0.9 | 9.45 | 4.02 | 13.36 | 9.63 | 613.57 | 615.13 | 612.88 | 484.34 |
| 32 Publishing & Printing (19) | 3841.24 | +0.3 | 8.31 | 4.39 | 13.49 | 85.92 | 3829.39 | 3868.57 | 3868.84 | 2271.92 |
| 34 Stores (32) | 984.07 | +0.6 | 9.54 | 4.06 | 13.68 | 17.02 | 978.84 | 981.96 | 981.62 | 729.33 |
| 35 Textiles (14) | 578.13 | +0.5 | 10.33 | 5.85 | 11.57 | 15.36 | 575.46 | 577.57 | 584.63 | 537.09 |
| 40 OTHER GROUPS (93) | 1208.41 | -0.1 | 9.67 | 3.98 | 12.55 | 23.13 | 1209.75 | 1211.28 | 1211.18 | 855.67 |
| 41 Agencies (17) | 1610.98 | +0.3 | 6.66 | 2.19 | 18.55 | 22.75 | 1606.42 | 1607.14 | 1593.77 | 1041.97 |
| 42 Chemicals (22) | 1345.36 | -0.3 | 11.04 | 4.61 | 10.48 | 43.83 | 1349.47 | 1355.46 | 1358.17 | 1014.45 |
| 44 Conglomerates (13) | 1757.85 | +0.2 | 9.73 | 4.64 | 12.09 | 28.36 | 1754.25 | 1750.88 | 1761.84 | 1359.81 |
| 45 Transport (13) | 2388.14 | -1.1 | 8.84 | 3.79 | 14.69 | 43.89 | 2413.54 | 2432.61 | 2455.85 | 1826.67 |
| 47 Telephone Networks (2) | 1142.21 | +1.1 | 10.72 | 4.35 | 12.16 | 22.58 | 1130.24 | 1125.46 | 1127.73 | 994.43 |
| 48 Miscellaneous (26) | 1956.47 | -1.2 | 8.88 | 3.25 | 12.71 | 29.04 | 1980.18 | 1992.71 | 2019.98 | 1180.54 |
| 49 INDUSTRIAL GROUP (485) | 1254.97 | +0.4 | 9.31 | 3.99 | 13.54 | 22.74 | 1250.29 | 1250.41 | 1257.31 | 915.86 |
| 51 Oil & Gas (15) | 2185.94 | +0.4 | 9.77 | 5.11 | 13.58 | 73.67 | 2177.73 | 2177.51 | 2199.50 | 1469.91 |
| 59 500 SHARE INDEX (500) | 1334.52 | +0.4 | 9.19 | 3.79 | 13.55 | 26.89 | 1329.45 | 1329.63 | 1337.75 | 981.32 |
| 61 FINANCIAL GROUP (122) | 812.88 | -0.2 | – | 5.04 | – | 23.03 | 814.19 | 817.78 | 823.41 | 657.71 |
| 62 Banks (9) | 832.52 | -0.7 | 20.73 | 6.00 | 6.33 | 55.83 | 838.41 | 838.95 | 846.87 | 630.57 |
| 65 Insurance (Life) (8) | 1240.41 | +0.6 | – | 4.22 | – | 29.86 | 1232.64 | 1243.32 | 1251.49 | 977.03 |
| 66 Insurance (Composite) (7) | 641.59 | -0.3 | – | 3.79 | – | 18.82 | 643.32 | 653.54 | 609.82 | 514.76 |
| 67 Insurance (Brokers) (7) | 961.71 | +0.7 | 7.81 | 6.45 | 17.10 | 31.89 | 954.94 | 962.72 | 961.12 | 921.33 |
| 68 Merchant Banks (10) | 387.93 | +1.1 | – | 4.09 | – | 7.36 | 383.61 | 386.41 | 386.11 | 328.57 |
| 69 Property (50) | 1375.92 | – | 6.29 | 2.87 | 20.29 | 10.67 | 1376.15 | 1375.49 | 1381.93 | 1159.86 |
| 70 Other Financial (31) | 367.77 | – | 10.85 | 5.95 | 11.86 | 9.83 | 367.89 | 364.96 | 370.55 | 353.89 |
| 71 Investment Trusts (69) | 1276.64 | +0.1 | – | 2.63 | – | 16.93 | 1275.18 | 1276.55 | 1278.37 | 871.89 |
| 81 Mining Finance (1) | 714.69 | +0.5 | 8.37 | 3.59 | 13.25 | 13.44 | 710.85 | 714.49 | 717.26 | 506.51 |
| 91 Overseas Traders (8) | 1447.32 | -0.1 | 9.62 | 4.91 | 11.87 | 43.33 | 1448.78 | 1434.81 | 1436.89 | 1126.79 |
| 99 ALL-SHARE INDEX (700) | 1207.45 | +0.3 | – | 5.94 | – | 25.67 | 1203.97 | 1204.89 | 1212.11 | 891.42 |

| | Index No. | Day's Change | Day's High (a) | Day's Low (b) | Aug 30 | Aug 29 | Aug 25 | Aug 24 | Aug 23 | Year ago |
|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 SHARE INDEX♦ | 2387.9 | +6.6 | 2394.3 | 2384.6 | 2381.3 | 2380.8 | 2397.4 | 2393.1 | 2342.4 | 1730.5 |

### FIXED INTEREST

| PRICE INDICES | Thu Aug 31 | Day's change % | Wed Aug 30 | xd adj. today | xd adj. 1989 to date |
|---|---|---|---|---|---|
| **British Government** | | | | | |
| 1 5 years | 118.39 | -0.14 | 118.56 | – | 8.13 |
| 2 5-15 years | 133.75 | -0.32 | 134.18 | – | 9.33 |
| 3 Over 15 years | 146.41 | -0.35 | 146.92 | – | 9.39 |
| 4 Irredeemables | 167.90 | -0.14 | 168.14 | – | 0.48 |
| 5 All stocks | 131.62 | -0.27 | 131.98 | – | 8.94 |
| **Index-Linked** | | | | | |
| 6 5 years | 148.79 | -0.22 | 141.11 | – | 2.26 |
| 7 Over 5 years | 139.70 | -0.44 | 140.35 | – | 2.66 |
| 8 All stocks | 139.70 | -0.42 | 140.29 | – | 2.61 |
| 9 Debentures & Loans | 115.01 | – | 115.01 | – | 6.77 |
| 10 Preference | 89.42 | – | 89.42 | – | 5.54 |

| AVERAGE GROSS REDEMPTION YIELDS | | Thu Aug 31 | Wed Aug 30 | Year ago (approx.) |
|---|---|---|---|---|
| **British Government** | | | | |
| 1 Low Coupons | 5 years | 9.51 | 9.46 | 10.33 |
| 2 | 15 years | 9.21 | 9.16 | 9.72 |
| 3 | 25 years | 9.12 | 9.10 | 9.40 |
| 4 Medium Coupons | 5 years | 10.46 | 10.38 | 10.49 |
| 5 | 15 years | 9.61 | 9.56 | 9.96 |
| 6 | 25 years | 9.26 | 9.22 | 9.66 |
| 7 High Coupons | 5 years | 10.56 | 10.48 | 10.63 |
| 8 | 15 years | 9.81 | 9.77 | 10.09 |
| 9 | 25 years | 9.42 | 9.40 | 9.65 |
| 10 Irredeemables | | 9.15 | 9.14 | 10.01 |
| **Index-Linked** | | | | |
| 11 Inflation rate 5% | 5yrs | 2.89 | 2.81 | 3.39 |
| 12 Inflation rate 5% | Over 5 yrs | 3.47 | 3.44 | 3.91 |
| 13 Inflation rate 10% | 5yrs | 2.08 | 2.00 | 2.32 |
| 14 Inflation rate 10% | Over 5 yrs | 3.30 | 3.27 | 3.74 |
| 15 Debs & Loans | 5 years | 12.92 | 12.92 | 11.30 |
| 16 | 15 years | 11.62 | 11.62 | 11.21 |
| 17 | 25 years | 11.12 | 11.12 | 11.15 |
| 18 Preference | | 10.20 | 10.20 | 10.06 |

♦Opening index 2385.5; 10 am 2386.0; 11 am 2387.5; Noon 2389.7; 1 pm 2391.5; 2 pm 2391.4; 3 pm 2393.5; 3.30 pm 2389.8; 4 pm 2390.0 (a) (b) † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p. CONSTITUENT CHANGES: Strand & Simpson (34) has been deleted and replaced by Harland Simon Group (5).

### RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 1 | 97 | 7 |
| Corporations, Dominion and Foreign Bonds | 0 | 13 | 30 |
| Industrials | 429 | 333 | 810 |
| Financial and Properties | 162 | 187 | 401 |
| Oils | 33 | 22 | 36 |
| Plantations | 1 | 2 | 8 |
| Mines | 57 | 31 | 86 |
| Others | 107 | 57 | 119 |
| Totals | 790 | 662 | 1,497 |

### LONDON RECENT ISSUES

EQUITIES

| Issue Price p | Amount Paid up | Latest Renunc. Date | 1989 High | 1989 Low | Stock | Closing Price p | +or- | Net Div. | Times Covered | Gross Yield | P/E Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

FIXED INTEREST STOCKS

| Issue Price £ | Amount Paid up | Latest Renunc. Date | 1989 High | 1989 Low | Stock | Closing Price £ | +or- |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

RIGHTS OFFERS

| Issue Price p | Amount Paid up | Latest Renunc. Date | 1989 High | 1989 Low | Stock | Closing Price p | +or- |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

[illegible]

### TRADITIONAL OPTIONS

● First Dealings Aug 21
● Last Dealings Sep 8
● Last Declarations Nov 23
● For settlement Nov 4

For rate indications see end of London Share Service

Calls in Caradon, Tusker, MB Group, Int. Media, Minorco, Eurotunnel Units, TR Energy, FKI, Telemetrix, Betacom, ML Labs.

### LONDON TRADED OPTIONS

RACAL FAR outpaced volumes in other options yesterday, attracting a good deal of speculative interest, combined with some closing out of positions after the run-up in price in recent days. Options volume equalled roughly half the turnover in the underlying stock.

Total Racal volume amounted to 2,980 lots, but this is effectively understated, because one contract now represents 2,000 shares, twice most other options.

Most activity concentrated on calls, with a 2,000 trade recorded in the February 275 calls, which closed out an existing position.

Dealers said the stock had been climbing recently, partly helped by institutions switching from Cable & Wireless into Racal. Word in the market that a leading broker will shortly be publishing a "buy" recommendation for the stock inspired some speculative activity in the September series.

Meanwhile, overall volumes remained uninspiring, with 28,280 contracts changing hands. Calls represented 15,732 of the sum.

The August FT-SE series expired uneventfully, at a price of 2,388.5 at 11.20am, close to the day's finish at 2,387.9. Turnover of 7,638 FT-SE options was predominantly in the puts (5,955).

By far the busiest series was the November 2,300 put, where 1,412 options were traded, taking open interest to 2,647 from 1,385 (preliminary estimates). This could have been related to the two and a half year put option Bankers Trust launched on the FT-SE index yesterday.

After Racal, the next busiest option was Rolls Royce, which is having a good run, as a number of brokers reckon it is undervalued. A total of 1,732 options were traded, largely calls (1,486). A turnover of 685 lots in the September 200 calls was recorded.

United Biscuits again attracted attention yesterday (1,118 lots traded) with a not very plausible rumour that Kohlberg Kravis Roberts were attempting to build a 15 per cent stake. Activity was largely among the calls (1,009).

Other options that traded above the 1,000 mark were Asda and British Gas. The former amounted to 1,105, almost all (1,100) in the calls. British Gas saw a volume of 1,037, with 1,000 in the puts.

| Option | | CALLS Oct | CALLS Jan | CALLS Apr | PUTS Oct | PUTS Jan | PUTS Apr |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

August 31 Total Contracts 28,280 Calls 15,732 Puts 12,548 FT-SE Index Calls 1683 Puts 5955 *Underlying security price. † Long dated expiry months.

## UK COMPANY NEWS

# Hafnia pays £91m for Prolific

By David Waller

HAFNIA HOLDING, Denmark's second biggest financial services company, is paying £90.6m to acquire the Prolific Group, the private financial services company which put itself up for sale at the beginning of May this year.

Prolific – a private company controlled by the Scott family – is the 15th largest unit trust business in the UK. Together with pension funds and a life assurance operation, total funds under management currently stand at £1.6bn.

Explaining the rationale for its move, Hafnia identified a twofold benefit: on the one hand, the deal would give it a foothold in the important UK financial services; on the other, it would be able to sell Prolific's insnranca prodncts through its distribution channels in other countries.

Despite a fast growth rate, Prolific came to the conclusion earlier this year that it was too small to compete against the majors and to fulfil its ambitions to market an expanded range of products across Europe as a whole.

Mr Andrew Cherniavsky, a director of Prolific and chairman of its unit trust operations, said there had been a significant polarisation in the fund management business since the October 1987 crash.

This meant that where pension fund trustees might have been adventurous before, they were now inclined to be cautious. Funds tended to be invested with the major outfits instead of medium-sized independents such as Prolific.

Prolific itself was demerged from the Provincial Group, the insurer also controlled by the Scott family, early last year, in an attempt to give it a more flexible structure with which to respond to the more competitive environment. Total revenues in 1988 amounted to £195.5m, pre-tax profits were £3.1m and net assets £9.8m.

Hafnia, which has been expanding aggressively in Denmark over over the last decade, had total income of DKr7.9bn (£658m) last year and total assets of DKr39.7bn (£3.3bn). Its insurance premium income waa DKr4.1hn, np from DKr3.8bn in the previous year, while Prolific's was £120.7m, comprising £110.1m life and £10.6m pension premiums.

# £45m merger planned by fund managers

By Clare Pearson

DUNEDIN Fund Managers, a Scottish investment trust group, and British Linen Fund Managers, part of the merchant banking subsidiary of Bank of Scotland, are to merge in a deal worth about £45m.

Under the deal Dunedin will acquire the entire capital of British Linen Fund Managers and issue new ordinary shares to The British Linen Bank as consideration. British Linen will purchase for cash additional shares from Dunedin's current shareholders, to gain a 50.5 per cent stake in Dunedin.

Dunedin will undertake all the investment management activities of the group, with assets under management of close to £3bn. This will make it one of the largest fund managers in Scotland.

Mr Eric Sanderson, chief executive of The British Linen Bank, said the transaction was worth about £41m, before taking into account special dividend payments to Dunedin shareholders.

Both sides said yesterday the arrangement would enable them to boost the expansion of their businesses, and was in no sense a defensive move. It was initiated by British Linen.

British Linen Fund Managers is involved in pension and venture capital funds, and funds under management total about £750m. Dunedin, with funds under management of some £2.1bn, is chiefly involved in investment trusts and has a number of overseas clients in Japan and North America.

The share sale will increase the value of Dunedin's various trusts by between 1.7 and 2.1 per cent, Dunedin said, excluding the payment of special dividends amounting to £1.55m up-front to existing shareholders. Further dividend payments may be made in the following few years depending on profits.

Dunedin was formed in 1985 by combining two groups, one of which managed The Edinburgh Investment Trust and the other which managed the Belsize House group of trusts in Dundee. The Edinburgh Investment Trust currently holds 57.9 per cent of the shares, with the Northern American Trust the next biggest holder with 19.9 per cent.

A payment in compensation for cancellation of executive share option schemes will be made out of the consideration to existing shareholders. Taking into account the maximum payment of special dividends, the cash payment to existing shareholders of Dunedin would be £9.62m.

# Caradon shares soar on bid approach

By Clay Harris

SHARES IN Caradon aoared 109p to 464p yesterday after the building products group said it had received a bid approach. After the rise, which followed a 10p advance on Wednesday, Caradon is valued at more than £285m.

A strongly branded group, Caradon manufactures Twyfords bathroom fittings, Mira showers, Everest double glazing and Terrain plumbing systems.

In the year to April 2, it increased pre-tax profits by 63 per cent to £33.8m, although this lagged behind the rise in turnover, and earnings per share went up by 39 per cent. At yesterday's closing price, Caradon's historic p/e is 12.3.

Caradon was created by a £61m management buy-out from Reed International in October 1985 at which time it was Britain's largest MBO. It came to the stock market less than two years later through a flotation which valued it at £134m.

Shortly before the stock market peaked in the summer of 1987, Caradon's offer for sale at 250p was oversubscribed 39 times.

# Lilley sees £18m for year with buoyant all-round trading

By Philip Coggan

LILLEY, the construction group which is bidding for Tilbury, yesterday announced interim pre-tax profits of £8.2m for the six months to June 30 and forecast profits of £18m for the full year.

The profits compare with last year's interim figure of £3.01m and full year figure of £8.09m. In the year to January 1987, Lilley incurred a pre-tax loss of £50m largely because of overseas problems.

This year's first half figures inclnde a £1.5m operating profit from Standen, a Nottingham-based househuilder, acquired for £23.8m in April. Property development and househuilding made profits of £2.64m (£1.55m).

The Hong Kong Eastern Harbour Tunnel, in which Lilley had a £40m share of a £245m contract, was completed six months ahead of schedule and within budget. The Gulf operations were sold via a management buyout for £1m.

Work in hand stands at a highest-ever level of £317m, compared with £150m a year ago. Lilley said thet its trading was bnoyant across its complete range of activities.

Turnover for the group was £133.3m (£109m). Operating profits were £7.49m (£3.73m) and interest receivahle was £670,000 (£442,000 payahle). After tax of £2.05m (nil), earnings per share were 4.15p (3.76p). The interim dividend is 1p (0.5p).

● **COMMENT**

Lilley has now completed its recovery from the doldrums of 1986-87 and has already made the bold move of making a hostile bid. Although investors are already snowed under with the traditional takeover "Oh yes you did, oh no, we didn't" literature, Lilley will ohviously have to raise its offer to defeat Tilbury. On purely investment criteria, however, succese or failure each have dangers. Defeat might make it difficult for Lilley to accomplish its grand strategy of becoming a big player in the UK infrastructure market; success will create an overhang of shares in the market which might slow down earnings growth. With the additional fear that a nasty period for the construction sector could be about to dawn, it is hard to see Lilley's share price moving strongly npwards from last night's unchanged 69½p.

# Lawrie holds dividend

LAWRIE GROUP is holding its dividend at 45p for 1988, although earnings per share fell from 64.43p to 52.79p.

Turnover of this tea plantation, agent and secretarial group declined slightly to £14.2m (£14.54m) while pre-tax profits fell 21 per cent to £2.67m (£3.4m).

Results of Stewart Holi (India) for the year ended August 31 1988 have been consolidated for the first time; comparisone have heen adjusted.

There was an extraordinary credit of £84,000 on the sale of an inveetment (£1.97m). Retained profit for the year declined to £232,000 (£2.46m).

## Duckworth deal

Duckworth Puhlishing Group is to acquire the rights to five publications from London & International Publishers as part of a plan to enter the European reference book market. Among the titlee are "Who's Who in Industry", "Who's Who in the City", "International Equity Market Official Handbook" and "The UK Company Handbook."

# Brooke Tool pays £3.5m for Sheffield engineer

By John Ridding

BROOKE TOOL Engineering, the manufacturer of industrial cutting tools, is buying Rockingham Plate for £3.5m.

Rockingham is a privately owned Sheffield-based company which manufactures and distributes a range of engineering products including machine knives, machine slideways, coil springs and pressings.

In the year to July 30 1988, Rockingham achieved pre-tax profits of £366,000, an increase of 47 per cent.

Mr Idris Jones, Brooke Tool's managing director, said the acquisition provided the opportunity to strengthen existing activities and enter industries with growth potential.

He said that Brooke Tool's established stockholding and distribution facilities in the US and West Germany would provide new markets for Rockingham's products.

The deal is to be funded by the issue of 5.8m new Brooke Tool ordinary shares at 32.5p. Some 2.5m are to be retained by the vendors, while the rest will be offered to Brooke Tool shareholders on the basis of 10.46 new ordinary shares for each 100 already held. Brooke Tool shares closed ½p lower at 34p.

An additional £1.6m will be paid in loan notes on condition that Rockingham's pre-tax profits reach £800,000 in the 14 months to September 30.

Brooke Tool said it expected to pay a final dividend of 1.175p (1.1p) on the enlarged share capital.

# R&V shares slip 17p after profits warning

By Clare Pearson

R&V Information Systems, the computer systems house which became the first Dutch recruit to the Unlisted Securities Market in March, has issued a profits warning.

The shares fell 17p to 43p yesterday after the company said trading results for the year to end-December were likely to be considerably below expectations.

Quilter & Co, which arranged R&V's USM placing, said the problem was a very swift and unexpected downturn in demand from the company's Dntch customers that had occurred recently.

Orders had been postponed, though not necessarily cancelled. R&V had continued its investment in production and marketing, resulting in increased costs on flat turnover.

Pre-tax profits could come out substantially below last year's figure of Fl 1.99m (£553,000). At the time of the placing they were expected to rise to around Fl 3m said Quilter. "Obviously, this is extremely embarrassing for us and we wish we had predicted it."

But R&V still intends to pay an interim dividend, emphasising its balance sheet strength.

The unexpected cessation of orders appear to be a knock-on effect from the well-documented difficulties this year in the computer hardware market, arising from the increasing standardisation of products.

According to Quilter, Dutch customere for compnter systems tend to be more astute than in some other countries as the Netherlands is often used as a testing ground for new products.

# First half setback at Parambe

Parambe, tha investment company with interests in art and investment dealing, reported interim pre-tax profits down from £49,774 to £18,538. Net asset value improved to 77.3p at June 30, against 71.5p.

After tax of £5,095 (£13,688) earnings per share for the six months to the end of June were 0.21p (0.55p).

The interim dividend is maintained at 0.5p.

Gross investment income was £85,565 (£41,324), dealing in works of art produced £15,831 (£58,338) and there was a loss on securities dealing of £4,602 (£5,531 credit).

## COMPANY NEWS IN BRIEF

**HAVELOCK EUROPA** is to change its accounting reference date from April 20 to December 31. Tha next published report and accounts will cover the period from April 21 1989 to December 31 1989.

**MERLIN INTERNATIONAL** Properties has completed the first stage of the sales of Australian property assets to a private group of companies in Sydney. Merlin has transferred loans of about £64m to the purchasers and has received some £15.4m in cash. The sale has reduced company's overheads by 75 per cent.

**NO PROBES:** The following proposed acquisitions are not being referred to the Monopolies and Mergers Commission: Meco International of the mining division of Dowty Group and Partco Group of GKN autoparts distribution.

**PORTER CHADBURN:** The chairman told the annual meeting that the group's trading performance in the early months of the year showed a significant improvement on last year, despite the difficulties caused by current economic policies.

**PRESTWICH:** Recommended offer from Newco has heen extended until September 13. At August 30, valid acceptances had heen received in respect of 23.58m Prestwich shares (64.45 per cent). Acceptances were also received in respect of a further 924,813 shares (2.52 per cent) for which valid cover had not been received.

**STEAD AND SIMPSON:** As at August 30, offer from Clayform Properties accepted in respect of 817,837 ordinary shares (51.1 per cent) and 34.55m 'A' shares (61.5 per cent). Clayform respectively controls 94.1 per cent and 75.9 per cent of each class. Offer declared wholly unconditional and remains open.

**WYEVALE GARDEN** Centres has acquired Webbers Garden Centre of Milton Keynes, Bedfordshire. The nine-acre leasehold site has been purchased for £150,000 cash and Wyevale intends to take up an option to purchase tha freehold next year for £550,000.

## UK COMPANY NEWS

# Cadbury Schweppes at top end of forecasts with £95m

By Lisa Wood

CADBURY SCHWEPPES, the confectionery and soft drinks group in which General Cinema holds a 16.9 per cent stake, ysterday announced pre-tax profits of £94.9m for the balf year to June 1989, a 16 per cent increase on the previous £81.7m.

The results, at the top end of analysts' forecasts, included a 60 per cent increase in the trading profit of the UK soft drinks business, which it operates in partnership with Coca-Cola, the US drinks group.

Earnings per share rose from 8.97p to 9.77p. The 1988 earnings benefited from a one-off change in accounting for Advanced Corporation Tax and comparison with the adjusted figure for 1988 shows an underlying increase of 19.4 per cent.

Cadbury said the $220m (£141m) acquisition of Crush International from Procter & Gamble, announced yesterday, would be neutral next year in terms of earnings but positive thereafter.

Group sales at £1.18bn showed an 11.2 per cent increase on the previous year with confectionery accounting for 40 per cent and beverages 60 per cent of the total. Strongest growth in sales came from the UK and the Continent, while those in the US fell by 13.2 per cent following the sale of Cadbury's confectionery business to Hersbsy.

Trading profits at £102m increased by 14.4 per cent with confectionery accounting for 54.4 per cent of the total and soft drinks 45.6 per cent.

Strong growth in trading profits came from North America, with Hershey paying royalties on Cadbury's confectionery brands. Concern among US consumers over Alar, a spray used on apples depressed the results from Motts, the second largest player in the US apple juice market.

In the UK, where Cadbury is investing heavily in marketing expenditure, trading profits from confectionery fell 8 per cent, with its volume share of the market slipping to 25.6 per cent from 25.9 per cent last year.

Cadbury said this was partly because of Mars, the second largest player, introducing new products such as M & Ms and Ballisto. Mr Dominic Cadbury, group chief executive, said the group had strong plans for the second half with the launch of products like Spira and Twirl.

Coca-Cola & Schweppes Beverages, the UK soft drinks business, showed a 26 per cent growth in volumes and increased its market share to an estimated 24.6 per cent, compared with 22.5 per cent last year.

Mr Cadbury said the division had given a "terrific performance." Associated companies contribution fell substantially because Cadbury bought out the minorities in its Australian business. Net interest payable rose 18 per cent to £8m.

The interim dividend is raised from 2.4p to 2.8p per share, a 16.6 per cent improvement.

Cadbury's share price closed down 1p at 413p.

See Lex

Alan Harper

Sir Graham Day, Cadbury's new chairman, who replaced Sir Adrian Cadbury earlier this year

# Walker Greenbank £3.35m disposals

WALKER GREENBANK, the engineering, plant and equipment and wallcoverings concern, is to sell Multiple Industries Group, with its main asset Altair Filters International, and also Altair Norge of Norway.

The businesses are being sold to Appfire, a company in which Mr Roy Cleaver and Mr Ian Church, the joint managing directors of Altair, have interests, together with 3i.

Altair and Norge design and produce air filters for worldwide markets. In the year ended January 28 1989, the MIG group and Norge reported a combined pre-tax profit of some £340,000. Combined net liabilities at that date were £420,000.

The consideration is £3.35m, of which £2.4m is by way of repayment of inter-company debt. In addition, arrears of management charge amounting to about £170,000 will be paid to Walker.

# Bestwood may sell two arms as profit is halved

By Andrew Hill

BESTWOOD, the housebuilding and civil engineering group, is considering the sale of two subsidiaries to reduce borrowings.

The company, whose affairs are currently under a general investigation by the Department of Trade and Industry, announced yesterday that pre-tax profits had almost halved to £687,000 in the six months to June 30 as a result of the downturn in the housebuilding market. In the equivalent period the group made £1.28m before tax.

At that date the group had net assets of £4.5m, but core borrowings of £10m.

The two subsidiaries earmarked for sale are British Drilling & Freezing Company, involved in onshore drilling and ground freezing, and Atlanta Trust, Bestwood's mortgage lending operation.

Mr Tony Holmes stepped down as chairman of the group after yesterday's annual meeting and was replaced by Mr Jim Furlong. Mr Holmes said the group wanted to concentrate on its construction and civil engineering interests.

Earlier this year, Mr Tony Cole, a former chairman who still owns nearly 9 per cent of Bestwood, tried unsuccessfully to eject Mr Holmes from the board.

Mr Holmes told shareholders yesterday that the period since he became chairman in July 1988 had been the most turbulent he could remember in any public company.

He added that the business as constructed had nothing to fear from the investigation by the DTI, representatives of which attended the annual meeting. It was Mr Holmes who invited the DTI to look into the company's affairs in February.

Bestwood had turnover of £13.1m (£14.7m) in the first half of the year and earnings per share dropped from 2.2p to 1.2p. No interim dividend was declared and the company said it would review its dividend policy at the end of 1989.

● Three dissident shareholders at Amalgamated Financial Investments are poised to requisition another special shareholder meeting in a second attempt to elect themselves to the board of AFI.

Two of the shareholders, Mr Colin Weinberg and Mr Rupert Pearce Gould, attended yesterday's Bestwood annual meeting as observers. At an AFI shareholder meeting two weeks ago they had hoped to question AFI's involvement with Bestwood, but Mr John Scholes, the investment company's chairman, closed the meeting after less than 10 minutes claiming none of the resolutions was valid.

Mr Weinberg said yesterday he and his colleagues would not call for the resignation of Mr Scholes at the next extraordinary meeting.

# Bowater unveils a 4.9% stake in Ibstock Johnsen

By Clay Harris

BOWATER INDUSTRIES, the packaging and industrial products group, last night revealed that it had bought a 4.9 per cent stake in Ibstock Johnsen, the brick manufacturer, and admitted it should have announced the purchase more than 18 months ago.

Bowater said it had bought the holding as an investment and had "no present intention" of making a takeover bid.

The shares were bought for £16.7m on February 19 1988. With Ibstock shares at 150p yesterday, Bowater is showing a paper loss of more than £2.1m, before taking into account dividends and carrying costs.

Although Bowater directors could not be reached for comment last night, the company's decision to disclose the acquisition appears to have reflected their belated realisation that it was a Class II transaction under Stock Exchange rules.

This requires companies to disclose any purchase of assets which comprise between 5 and 15 per cent either of shareholders' funds, pre-tax profits or market capitalisation.

Ibstock said last night that it had discovered the purchase within weeks through its usual scrutiny of the share register. "It is not our policy ever to comment on shareholdings that are less than 5 per cent," said Mr Richard Boxall, joint managing director. No talks had been held with Bowater and none were planned, he said.

The stake was announced after the market closed. At last night's prices, Ibstock is valued at nearly £295m – almost exactly half Bowater's £586m.

Trevor Humphries

Peter Dugdale, chief executive of GRE, with his deputy Sid Hopkins, who said there were plenty of theories but no real explanation for the rise in Irish claims

# Increase in Irish motor claims pushes GRE down at midterm

By Clare Pearson

A SUBSTANTIAL rise in motor insurance claims in the Republic of Ireland was behind a disappointing performance from Guardian Royal Exchange, the composite insurer.

In the six months to end-June, pre-tax profits dipped from £111.7m to £100.1m.

At the root of the fall was a rise in personal injury car claims from Ireland so dramatic that it was initially thought it must be a computer error, said Mr Sid Hopkins, deputy chief executive.

Worldwide, non-life underwriting losses rose from £11.5m to £48.7m, while investment income grew from £108.4m to £134.8m, thanks to higher interest rates, increased cash flow, and the buoyant performance of equities.

Irish operations delivered underwriting losses of £22.5m, against £1.5m last time, on premium income of £34.9m (£35.6m). The pre-tax loss was £18.3m, against a £2.4m profit.

Mr Hopkins said: "There are plenty of theories but no real explanation for the rise in Irish claims."

GRE increased private car premium rates in Ireland by 9 per cent in July, and those on commercial vehicles are to rise by 30 per cent from next month. The incidence of claims now appears to have stabilised.

This year GRE has bought the business of PMPA, primarily a motor insurer, from an administrator appointed by the High Court in 1983. The acquisition became effective from July and all previous liabilities remained with the administrator.

At £14m, GRE's profits from life and pensions business was just below the comparable £14.8m, but the company said it saw the underlying trend as favourable. It increased its share of individual pensions market following the launch of new ranges of products.

After a number of big fire claims, UK operations returned a small underwriting loss, against a profit of £10.7m last time. However, personal insurance saw a £5m increase in profit. Pre-tax profits – including life insurance – were £76.2m (£72.7m).

Other international operations presented a mixed picture. Underwriting losses in Germany were about the same as last time against the background of a difficult market. In the US, GRE outperformed the market and attributed this to the policy of concentrating on specialist areas. The only country to achieve an underwriting profit was South Africa.

GRE bought a major interest in three Italian insurance companies during the year, and said it continued to look for acquisition opportunities in Europe.

The interim dividend is raised to 4p (3.5p) payable from earnings of 7.2p (8.7p).

See Lex

# Parrish announces losses for full-year and interim periods

By Philip Coggan

PARRISH, the stockbroking group, yesterday revealed its long-awaited results for the year to January 31 1989 – which showed a £3.53m loss – and also announced a £447,000 loss in the six months to July 31.

However, the company said that in the latter period its wholly-owned stockbroking subsidiary had broken even, thanks to a significant reduction in costs. The loss resulted from head office expenses and from deferred acquisition costs.

The figures were delayed because a key 15 per cent stake in the company, originally owned by Spedley Holdings, the Australian merchant bank, had been placed in the hands of liquidators, thereby delaying a recapitalisation plan.

The 15 per cent stake was recently acquired by City & Westminster Group, the financial services company chaired by Mr Andrew Grenfell. That has enabled plans for recapitalisation to proceed and an announcement is expected shortly.

The 1988-89 loss, which followed a loss of £1.63m in the year to January 31 1988 has created a deficit on the company's profit and loss account which means that Parrish is unable to pay a dividend.

Mr Peter Bainbridge, chief executive, said that staff levels were now around 170, compared with 250 in late 1987 but the group had maintained its market share.

The shares closed unchanged at 70p yesterday.



## BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:- ATA Selection, Bletchley Motor, Church & Co, Consolidated Plantations, Ferrari Holdings, Jones (A), Record Holdings.

Finals:- Minerals Oils & Resources.

FUTURE DATES

| | |
|---|---|
| Interims– | |
| Appleby Westward | Nov. 9 |
| Bostrom | Sep. 26 |
| Clinton Cards | Sep. 13 |
| Kleinwort Benson | Sep. 13 |
| Parkdale | Sep. 7 |
| Pavilion Leisure | Sep. 7 |
| Porvair | Sep. 4 |
| Refuge | Sep. 14 |
| Servomex | Sep. 13 |
| Wassall | Sep. 19 |
| Westcoghe | Sep. 12 |
| Willis Faber | Sep. 19 |
| Finals– | |
| Haggas (John) | Sep. 14 |
| Northern Ind. Improvement | Sep. 8 |
| Sanderson Murray | Sep. 11 |
| Waterman Partnership | Sep. 11 |

## DIVIDENDS ANNOUNCED

| | | Current payment | Date of payment | Corres-ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|
| Appleyard Group | int | 2.8 | Oct 13 | 2.2 | - | 6.6 |
| Black (A&C) | int | 4.25 | Oct 4 | 4 | - | 12.5 |
| C'bury Schweppes | int | 2.8†☆ | - | 2.4 | - | 9.2 |
| English & O'seas | int | 2 | Oct 4 | - | - | 1.5 |
| Gardner (DC) § | int | 1.1† | Oct 16 | 1.1 | - | 3.3 |
| Gordon Russell | int | 2.6 | Oct 18 | 2.4 | - | 7.4 |
| GRE | int | 4☆ | Jan 8 | 3.5 | - | 10 |
| IoM Steam Packet | int | 4 | - | - | - | 12 |
| Lewris Group | fin | 45 | Oct 6 | 45 | 45 | 45 |
| Lilley | int | 1 | Oct 31 | 0.5 | - | 1.5 |
| Perambe | int | 0.5 | - | 0.5 | - | 1.5 |
| Sharpe & Fisher | int | 1.5 | Oct 31 | 1 | - | 1 |
| Slough Estates | int | 4.2 | - | 3.3 | - | 8.9 |
| Tribble Harris § | int | 1.6♣☆ | - | 1.6 | - | 4.8 |

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ☆Carries scrip option. ♣ US cents.

## UK COMPANY NEWS

# Weak pound helps Pentland rise 15%

By Alice Rawsthorn

PENTLAND INDUSTRIES, the one-time stock market star which is about to be taken over by Bertrams Investment Trust, yesterday announced a 15 per cent increase to £41.9m in interim pre-tax profits.

Reebok, the US sports shoe company in which Pentland has a 32 per cent holding and which provides most of its income, suffered a fall in profits during the first half. But the fall in the value of the pound against the US dollar ensured that Pentland managed to increase profits.

Pentland's sales fell to £316.47m (£327.44m) in the six months to June 30. Earnings per share rose to 9.88p (8.08p).

Without the favourable change in exchange rates, earnings per share would have risen more slowly to 8.51p (8.08p).

Having begun in business as an obscure Lancashire shoe manufacturer, Pentland became a wonder stock in the mid-1980s thanks to the sudden success of Reebok.

Pentland made several attempts to diversify – including an unsuccessful bid for Parker Pen – but still derives three-quarters of its income from Reebok.

Earlier this summer Pentland agreed terms for a £329m restructuring whereby it would be acquired, in a reverse take-over, by Bertrams, a small investment trust. The acquisition should be completed early next month and the new company will be called the Pentland Group.

Reebok's profits fall in the first half, reflecting the competitive state of the US sports shoe market. But its contribution to Pentland rose to £31.46m (£28.2m), thanks to the favourable change in exchange rates.

Wall Street analysts anticipate overall profits growth from Reebok for the full financial year.

Pentland's wholly-owned subsidiaries increased profits to £10.44m (£8.29m) in the period.

The footwear importing business benefited from higher sales, but the UK production company experienced a fall in profits due to tough trading conditions.

Holmes, the US electronics company, managed to increase overall profits, but its margins were depressed by higher sourcing costs from the Far East and the impact of the mild summer weather in the US on the fan market.

The board will pay an interim dividend of 0.25p to all shareholders in Pentland Group. This compares to an estimated total dividend of 0.4p had the group been in existence in 1988.

# Waterford/Express tables I£46.5m Irish milk offer to top Goodman

By Kieran Cooke in Dublin

THE BATTLE for control of Ireland's milk industry boiled up yesterday with the Irish Waterford Co-op gronp and Britain's Express Dairies making an I£46.5m, or £40.4m sterling, joint bid for Premier Tir Laighean Co-op, Dublin's main milk supplier.

The latest offer tops an earlier bid by Waterford and Express and also exceeds offers from two other groups.

Mr Larry Goodman, Europe's largest meat processor, earlier made a cash and shares bid worth I£43.3m for Premier through Food Industries, his publicly quoted agribusiness company. A consortium led by Mr Paschal Taggart, a local businessman, is also fighting for control of Premier.

The latest bid includes offers to Premier's shareholders of shares in Grand Metropolitan, parent company of the Express Dairies group. Express already has a 30 per cent stake in Premier. One of Premier's main customers is the Gilbeys group, maker of Baileys Irish Cream liqueur. Gilbeys is owned by Grand Metropolitan.

A battle for control of important segments of Ireland's milk industry has been waged with increasing ferocity over the past 18 months as contenders fight for vital milk supply sources within the present EC quota regime.

The Irish milk industry had traditionally been dominated by farmers' co-ops. But recently Mr Goodman and Food Industries havs gained control of two other large milk co-ops – the first time big business had entered this sector.

If Mr Goodman manages to gain control of Premier, it would give him control of about one-third of Ireland's total liquid milk supply. But a protracted battle is expected with rival bidders for Premier likely to announce new offers in the next few days. Mr Goodman controls more than 40 per cent of Ireland's meat industry. He also has an 8.8 per cent stake in Unigate, the British food group, and a 9.2 per cent stake in Berisford International, the sugar and commodity group.

# Tribble Harris back in black

TRIBBLE HARRIS Li, the USM-quoted management and design services concern, moved back into the black in the six months to May 31 1989.

Turnover rose 26 per cent to $12.37m, while the company turned round from a $1.65m loss last time to a pre-tax profit of $665,000 (£420,000).

In the UK both revenue and profit margins have grown, with every indication of a strong result for the year, the board said. CTHI, in the US, achieved a recovery from its performance in 1988.

The company continued to seek appropriate opportunities for geographic and market segment expansion and the board considered that joint ventures or associations with allied companies might be appropriate in the near future.

Earnings per share were 3.94 cents (losses of 5.36). The interim dividend is maintained at 1.6 cents.

As a matter of policy, at least until the end of 1990, two thirds of any net dividend will be paid in cash and one third in shares, with shareholders also given an option to take the cash portion in shares.

## English & Overseas up 93% to £1.05m

English & Overseas Properties yesterday unveiled a 93 per cent expansion in profits at the halfway stage.

For the six months to June 30, the group, which was floated off from its parent Pentos in June of last year, achieved pre-tax profits of £1.05m (£545,000) on turnover up from £1.87m to £2.17m.

Mr Jim Clark, chairman, said that the full year outcome would "show significant growth, although the phasing of projects does not necessarily mean that first and second half profits will show a similar percentage improvement".

The company's remaining exposure to the retail market was now extremely limited in the light of current problems being experienced in certain sectors of that market.

A maiden interim dividend of 2p is payable from earnings of 11.7p (10.5p) per 10p share.

## Cairn meets expectations with £644,000

Cairn Energy, the independent oil and gas producer, reported pre-tax profits up from £120,000 to £644,000 in the first half of 1989. Directors said the result was in line with expectations and saw higher turnover and profits for the rest of the year.

In May it bought Lignum Oil for £6m from Pearson, the publishing, banking and industrial conglomerate which owns the Financial Times.

Present oil prices were said to be satisfactory for the company's development in the UK. In the US it was expected that gas prices during the winter would be significantly higher than the previous year.

Turnover was £1.47m (£146,000) and operating profit £476,000 (£73,000). Pre-tax profits included net interest receivable of £168,000 (£47,000). Earnings were 4.86p (17.71p).

## Reduced loss at Irish Contl

IRISH CONTINENTAL Group, the Dublin-based ferry operator, remained in the red but reduced its loss at the pre and post-tax levels from I£2.28m to I£2.05m, or £1.78m sterling, in the six months to April 30.

The Third Market-traded company said the result reflected the seasonal nature of its business, with the summer months accounting for by far the greater share of traffic and revenues. The improvement was due to a higher level of passenger carryings and a strong freight performance.

Turnover was I£10.09m (I£8.41m) and losses per share were cut to 13.4p (16.3p). The company said that strike action by Liverpool dockers in June and July had disrupted Belfast Ferries' freight carryings, though passenger traffic had been largely unaffected.

## Property disposal gives lift to Sharpe & Fisher

A £1M surplus on the sale of a property development enabled Sharpe & Fisher to lift its pre-tax profit from £1.15m to £2.27m in the first half of 1989.

The buildings supplies division showed only a marginal rise in operating profit to £1.04m (£1.03m) but property investment income increased to £636,000 (£411,000).

Earnings were 7.1p (3.6p) or 3.9p when excluding the property surplus.

Early this year the company completed its reorganisation following the sale of Sandfords, its DIY chain.

Shareholders received a payment of 160p per share.

For the current year they have been promised a dividend of not less than 4p, and are receiving 1.5p at this interim stage. Last year there was an interim only payment of 1p.

The directors reported that high interest rates affected demand for building supplies and sales were below expectations, although showing an increase of 10 per cent.

This included the Ladds branches acquired last October, where redevelopment was having an adverse short term effect on profits.

For the second half the outlook for demand in building materials was poor, and that would clearly affect profits in the building supplies division.

However, rental income would be significantly in advance of last year and the company should continue its growth

## Murray International halfway surge

OVER THE six months to end-June, net asset value of Murray International Trust rose from 219.2p to 260.4p. A year earlier it stood at 226.2p.

Pre-tax revenue surged from £4.49m to £8.24m, reflecting an increase to £6.7m (£2.4m) in franked income after the purchase in July 1988 of £80m high yielding preference shares, and a lift to £4.1m (£2.28m) in overseas income following increased exposure. The interest charge rose to £2.7m (£540,000).

Earnings grew from 2.65p to 5.8p. The first part of (three equal instalments) of the 9p interim dividend was paid on August 30 and the year's total will be 9p (7p). For 1990 the interim dividend is forecast at 6.84p.

The company said the overall pace of advance had generally exceeded expectations so that earnings yield/bond yield relationships moved to more neutral territory. Further significant gains will depend largely on a continuation of recent underlying improvement in the pattern of US economic growth.

Total return earned on net assets in the period was 22.4 per cent.

## SHARE STAKES

The following changes in company share stakes were announced recently:

The African Lakes Corp: BS Cleminson, a director, has sold 9,000 ord at 120p per share.

Calor Group: SHV Holdings, through its subsidiary SHV Energy Holdings (UK), has purchased 3.36m ordinary bringing its total holding to 74.31m (44.2 per cent).

Casket: York Nominees (A account) has acquired a further 1m ord. The holding of York and interested parties is consequently increased to 6.57m (17 per cent of voting shares). Interested parties are: Selective Investments (1.39m); Michael McDonnell (694,910); Frederic Hamilton (1.39m); WSGF International Inc (1.39m); Edward Cook (694,910). Harry Turpin and Vythi Menon own 700,000 and 311,819 respectively and may also be a party to an agreement with the other interested parties named above.

Edmond Holdings: Willesley Clay has become a substantial shareholder with a beneficial holding of 2.67m shares (5.28 per cent).

James Dickie: Specialist Holdings has acquired 10,000 ordinary and now holds 287,500 (15.5 per cent). Beneficial owner of the shares is Polarscope.

Moss Bros: Mr Nigel Gee has cut his holding by 50,000 to 943,403 ord (5.65 per cent).

Moss Trust: New Throgmorton Trust has purchased 31,488 ordinary and now holds 700,000 (6.43 per cent).

Plysu: Mr CSJ Summerlin, a director, has disposed of 150,000 shares reducing his holding to 2.93m (6.77 per cent).

Sutcliffe Speakman: Govett Strategic Investment Trust has reduced its holding to 2.28m ordinary (11.89 per cent). The holding is registered in the name of West Nominees.

Tor Investment Trust: Exeter High Income Trust has disposed of 50,000 income shares registered in the name of Midland Bank. The holding is now reduced to 150,000 (3.99 per cent).

Williamson Tea: George Williamson Holdings has acquired 3,000 ord and now holds 1.37m (60 per cent).

Zetters Group: CW Davies now holds 352,500 shares (in excess of 5 per cent).

## IN BRIEF

ADT, the industrial services group, has agreed to acquire majority control of Check-In Admissions Systems, a company bidding to aupply cheque-book style vouchers as the means of operating the government's planned membership scheme for football snpporters. The deal will involve an initial £250,000 investment by ADT in the form of convertible loan stock with a potential investment of a further £250,000 to fund Check-In's bid for the membership contract.

BOM HOLDINGS: Blinkform Financial has acquired the £450,000 3 per cent Second Mortgage Debenture stock 1989, previously held by House Property Company of London, which represents 46.02 per cent of the outstanding stock of that class.

AF BUDGE has acquired the Halifax-based J&J Fee Group of Companies, making it one of the largest privately-owned construction organisations in the UK.

BUHRMANN-TETTERODE is applying to the London Stock Exchange for a listing of its ordinary shares in the form of bearer depository receipts. Dealings should start in October.

GOODMAN GROUP has acquired the assets of three companies: 20th Century Video, Capricorn Video and Odyssey Video for a total consideration of £236,500.

HARRIS (PHILIP) Holdings has purchased the outstanding 70 per cent stake in Novara not already owned by the company, together with Novara's redeemable preference share capital, for a total consideration of £233,723, payable in stages until June 30 1991.

KOREA-EUROPE Fund: Net asset value $24.76 (£15.60) at June 30 against $15.36 per share a year earlier. Net revenue for year to June $353,000 ($98,000 for previous 16 months) for earnings of 8.54 cents (3.27 cents). Dividend 7 cents (3 cents). A four-for-one scrip or a five-for-one share subdivision to be proposed.

## UK COMPANY NEWS

# Appleyard to buy Skelly for £18m

By John Thornhill

APPLEYARD GROUP, the Harrogate-based motor distributor, is to buy Ian Skelly Holdings, Britain's largest retailer of Audi and Volkswagen cars, for £18.3m in shares.

It also announced a 39 per cent increase to £5.72m in interim pre-tax profits.

Skelly, which operates in Scotland and the north of England, sold more than 13,500 new and second hand vehicles in 1988 and made pre-tax profits of £2.2m on turnover of £64.2m. At the year-end, it had net assets of £3.2m.

Mr Mike Williamson, Appleyard's chairman and chief executive, said Appleyard would benefit greatly from Skelly's distinctive retailing skills. In turn, Appleyard plans to expand Skelly's presence in parts and services.

Mr Williamson said motor sales had been distinctly patchy in the peak month of August. Markets around London were softer then elsewhere and Austin Rover sales, in particular, were weak, he said.

The tougher times ahead for motor distributors because of the precariousness of the economy could lead to a consolidation of the industry, he suggested. Five or six major players might emerge in the 1990s to dominate the market. "There is going to be a sorting out of the wheat from the chaff in the motor sector," he said.

Mike Williamson: patchy motor sales in August

The acquisition will be funded by the issue of 12.36m new Appleyard shares. Lazard Brothers has conditionally agreed to place the shares with investors although existing shareholders will be able to subscribe on a 35-for-100 basis.

In the six months to June 30, Appleyard's pre-tax advance from £4.12m was achieved on turnover ahead 42 per cent to £203.58m (£143.04m). Minories, a chain of motor dealerships bought last year, contributed £700,000 to taxable profits.

Interest payments were sharply higher at £1.69m (£697,000) and the tax charge rose to 35 per cent compared with the 24 per cent prevailing in the comparable period.

The interim dividend has been raised by 18 per cent to 2.6p (2.2p). Earnings per share, on an increased capital, were static at 10.9p.

IEP Securities, the UK investment vehicle of Sir Ron Brierley, the New Zealand businessman, yesterday confirmed it held a sizeable stake in BSG International, the Birmingham-based motor group. IEP disclosed that it held 21.71m shares, representing 10.72 per cent of the company's equity.

**● COMMENT**

Appleyard may well be right in suggesting that motor distributioo is in for a further bout of consolidation. The company certainly has great ambitions to become a major player in the next decade, and yesterday's acquisition is a further demonstration thet its goals are looking quite attainable. In the longer view, Appleyard appears to be well poised to reap the benefits of its acquisitive expansion and the development of its greenfield sites. But a big qnestion mark must hang over the short term outlook. Sluggish national sales, a higher tax cherge, and the dilntive effect of the Skelly acquisition will all take tbeir toll this year and check Appleyard's earnings progress. Pre-tax profits may rise to £12.3m, but earnings per share will be pegged to just over 21p giving e prospective multiple of over 7. That still offers good long-term prospects, but for the moment better value in the depressed sector is available elsewhere.

# Expedier agrees £12m bid for Medminster

By John Ridding

EXPEDIER LEISURE, a supplier and manufacturer of leisure equipment, is making an agreed bid worth £12.4m for Medminster, the furniture hirer.

Mr Conor O'Brien, Expedier's chief executive, said that "Medminster's businesses fit totally with our own." He said that Expedier would gain an outdoor furniture hire business which would complement its existing business of hiring tented equipment to sporting events and corporate hospitality.

The deal will also give Expedier greater involvement with the television, film, and theatre industry through Medminster's antique and furniture hire business.

In addition, Expedier will gain access to the conference and exhibition industry. Mr O'Brien said that this would provide a balance against the usual summer-bias of its businesses.

The most recent figures show that in the six months to December 30, Medminster achieved pre-tax profits of £420,000, a fall of 15.5 per cent on the comparable period. Turnover fell from £7.66m to £7.61m.

Mr O'Brien said that he would be "pretty upset if Medminster made less than £1m for the full year."

Mr John Delaney, founder and chairman of Medminster and holder of 44 per cent of its shares, will retire as a director on the completion of the deal. However, he will have a two-year consultancy contract.

Two other directors will also retire, but Mr Delaney's son, Robert, will remain on the board.

The offer comprises 59 Expedier shares for every 42 Medminster shares, valuing each Medminster share at 161.2p based on the closing prices on August 29. There is a cash alternative of 147.5p for every Medminster share.

Yesterday, Medminster's shares closed up 41p at 149p, and Expedier's down 5p at 107p.

# Slough Estates rises to £44.4m in strong industrial market

By Paul Cheeseright, Property Correspondent

SLOUGH ESTATES, the fourth largest UK property group but the biggest in the industrial sector, yesterday delivered its half yearly figures exactly on cue: a 30 per cent increase in pre-tax profits and a rise in dividends to match.

But the very predictability meant there was little reaction on the market. Trading in the shares was subdued and the price closed unchanged at 378p.

Pre-tax profits for the half year to end-June were £44.4m compared with £34.1m last time and £75.1m for the whole of 1988. Fully diluted earnings per share rose to 10.6p (8.8p).

The group has been operating in a strong market for industrial property. This sector accounts for nearly 90 per cent of its UK portfolio, which itself is based on the estate in Slough that gives the company its name.

Total returns – made up of rental growth and capital appreciations – for industrial property have been running at over 30 per cent a year since the 12 months to June 1988. They reached a high point of 46.7 per cent in the year to February 1989, according to the indices of the Investment Property Databank.

There is, however, a lag before such returns are likely to show up in the Slough Estates portfolio – timing of rent reviews and so on. But in the 1989 first half the group's investment income rose from £36.9m to £43.4m.

The group said that its subsidiaries overseas – in Belgium, France, West Germany, Australia, Canada and the US – "have continued to benefit from increasing rental income."

This month Slough Estates has managed further to restrict its exposure to high interest rates by arranging swaps on a £130m variable rate loan. The group's net borrowings come to £560m, of which £490m is at fixed interest rates.

For the immediate future, Sir Nigel Mobbs, the chairman, said he was confident there would be "further good results for 1989." Although there has been concern expressed about the state of the property market, Sir Nigel said the industrial sector remained buoyant.

The directors have declared an interim dividend of 4.2p. The dividend at this time last year was 3.3p and total payments for 1988 were 8.9p.

**● COMMENT**

This is a golden period for Slough Estates. The problem is knowing how long it will last. So far what it has been losing on the swings – growing difficulties in leasing business space down the Thames Valley – it has been gaining on the roundabouts – bubbling demand for basic accommodation in the south east. There is growth, from rent reviews and so on, still to come from the portfolio so it would be surprising if the net asset value per share did not rise to 470p by the end of the year, putting the shares at 378p on a prospective discount of nearly 20 per cent.

# Buckingham buys Lisbon freehold site for £10.3m

BUCKINGHAM International, the nursing home and hotel operator formerly known as Leisuretime International, has acquired a freehold site in the centre of Lisbon, Portugal, for a total consideration of Es2.64bn (£10.31m).

Buckingham said that planning consent for the development of 76,000 sq ft – to include residential apartments, a 300-room hotel and office accommodation – has been granted.

The acquisition follows previous deals in Portugal by Buckingham and is being effected by the purchase of the entire share capital of Consipor Empreendimentos Imobiliarios for Es2.24bn and the development interest from a local businessman for Es400m.

Buckingham said that, after the site had been developed, it intended to dispose of the residential and commercial areas. However it would retain and run the hotel.

# IoM Steam at £0.7m but issues slowdown warning

ISLE OF MAN Steam Packet made an impressive start to the current year, with halfway profit at £711,000. Despite a possible slowdown, it should at least maintain £3.14m for the full term.

The directors explained there were indications that the current economic boom in the island may have peaked and the number of foot passengers continued to decline.

They did not expect maintenance of the rate of growth in financial performance of the last few years, but they were determined to continue improving services.

In the first half turnover rose to £9.29m (£6.76m). There was a loss of £659,000 in 1988 which included a nine week strike by seamen. Earnings per share were 19p (loss 17.6p) and interim dividends are initiated with a payment of 4p.

To improve marketability the £1 stock units are being split into 25p units.

# SEP expands with £1.25m acquisition

SEP Fasteners, a subsidiary of SEP, is acquiring the assets and business of PSS, an industrial fastener distributor, for about £1.25m cash.

PSS, a subsidiary of RTZ, reported pre-tax losses of £344,000 on turnover of £4.2m in 1988. Book vaine of the assets being acquired is about £1.46m.

An initial deposit of £130,000 has been paid with the balance due in two further tranches. A cash consideration of £1m will be paid on completion, expected to be on or before September 22, and the remainder subject to a stock valuation.

# A&C Black

Taxable profits of A&C Black, the publisher, showed a marginal increase, from £352,000 to £366,000, in the first half of 1988.

Turnover totalled £2.97m (£2.82m). An interim dividend of 4.25p (4p) is payable from earnings per share of 17.8p, up from 16.9p last time.

# GrandMet completes its initial Pillsbury disposals

GRAND METROPOLITAN has completed its immediate disposal programme at Pillsbury, the US food and restaurants group it bought last year for $5.75bn (£3.64bn).

Among the latest operations to be sold was a Venezuelan flour milling and pasta subsidiary, which was bought by Cargill, the privately-owned US milling and trading group.

Local investors have bought Pillsbury's consumer products distribution business in Guatemala and a minority holding in a flour milling operation in El Salvador. The prices of the deals were not disclosed, but GrandMet had previously raised nearly $1bn through Pillsbury disposals.

# DC Gardner up at £381,000

DC Gardner Gronp, the USM-quoted financial training and career counselling company, yesterday announced pre-tax profits of £381,000 for the six months to June 30 1989.

The advance from £331,000 was achieved on turnover of £3.82m (£2.13m).

Tax took £137,000 (£119,000), leaving earnings of 3.4p (4.3p) per 5p share. The interim dividend is maintained at 1.1p.

## MONTHLY AVERAGES OF STOCK INDICES

| | August | July | June | May |
|---|---|---|---|---|
| **Financial Times** | | | | |
| Government Securities | 87.24 | 86.24 | 84.63 | 86.47 |
| Fixed Interest | 97.77 | 96.87 | 95.78 | 97.26 |
| Ordinary | 1960.3 | 1863.3 | 1779.7 | 1775.6 |
| Gold Mines | 199.6 | 197.9 | 186.4† | 173.3 |
| *SEAQ Bargains (5 p.m.)* | *26,315* | *28,123* | *25,411* | *28,075* |
| **F.T.-Actuaries** | | | | |
| Industrial Group | 1248.45 | 1192.65 | 1145.01 | 1139.82 |
| 500 Share | 1323.05 | 1273.48 | 1222.95 | 1214.28 |
| Financial Group | 799.71 | 763.63 | 730.24 | 746.44 |
| All-Share | 1195.36 | 1148.56 | 1101.70 | 1099.89 |
| FT-SE 100 | 2353.9 | 2246.8 | 2147.3 | 2137.2 |

| | August High | August Low |
|---|---|---|
| Ordinary | 1981.0 (25th) | 1909.8 (1st) |
| All-Share | 1212.11 (25th) | 1170.46 (1st) |
| FT-SE 100 | 2397.4 (25th) | 2292.3 (1st) |

†Corrected figure

## THE PROPERTY MARKET

# The assets hidden in leisure

By Paul Cheeseright

Leisure groups are taking much more interest in their property assets. They are looking for means of exploiting their latent value, of turning them into additional streams of profit.

Mecca, with its casinos, hotels and holiday villages, formally set up a property company last month. Whitbread, the brewer, with its hotels, restaurants, wine bars and pubs, set one up in July 1988.

Both fledgling companies are primarily in the business of supporting the main leisure activities of their respective groups. Both are basically funded by their group treasuries. But both are feeling their way in the search for the extra opportunities which inevitably arise from already possessing large portfolios.

Whitbread's properties were worth £2.26bn at the end of last year, a valuation which puts the group in the same league as the larger property investment groups. Mecca had a portfolio valued at £569.9m.

"In the estates there is an underdeveloped value. Trading has been too exclusive," said Michael Guthrie, the Mecca chairman. A review of the corporate estate is taking place to establish whether sites used for one purpose might not better be used for another.

"We will continue to trade a site (that is, run a specific leisure business on it) for as long as there is revenue. If there comes a point that the value from another use is such that that return is so much greater, we will now take the site and exploit it," Jeremy Long, the finance director explained.

But "cash comes back for reinvestment as a trader," Mr Guthrie said. Mecca, then, is intent on recycling properties within the group and it has a programme of projects which, if completed, would have a value of around £200m.

This is smaller in scope and ambition than Whitbread, which is spending £750m on acquisitions over the next five years and which sees itself as in the same position as Burton Property Trust a few years back.

It started off to provide properties for the Burton retailing group to trade from; gradually it enlarged its activities so that it was not only doing this but providing premises for others as well.

"Everything we buy is for a longer term trading opportunity," said Hugh Siegle, managing director of Whitbread Property. "The operational companies identify where they want to be, then we set about meeting their needs."

The approach is that of a retailer, looking at population growth, the state of the infrastructure and so on. "What is crucial is forecasting turnover and profits – that dictates how much you pay for a property," Mr Siegle noted.

And Whitbread, with a programme of acquisitions, has been paying more. The whole of the leisure property sector has been strong. On a base of higher personal incomes, new leisure companies have been coming into the field, the agents have been active and values have gone up at a sharp rate.

Christie, the business agents, calculated that, on average, the price of hotels rose 32 per cent in 1988 and 40 per cent in 1987, while the price of restaurants and wine bars rose 12.9 per cent last year and 31 per cent the year before.

The market, slowing down last year, has slowed even more since and Christie has noticed that the price of hotels has changed very little since last February.

The same is true of the restaurant and wine bar market, where first-time buyers have been hurt by the rise in interest rates and the instability of the residential market. Inability to command such high prices for homes has thinned the flow of aspirants to the restaurant business.

But the bigger players in the market steamroller on. "The leisure companies are still sending out their requirement sheets," said Matthew Phillips at the Birmingham office of Chesterton, chartered surveyors. "Some people are always active in the market: it's not the price that interests them, it's whether the property fits their theme," observed Ian Scott at Christie.

"Hotels are costing more than 18 months ago, but we've got to keep pace with the market," said Mr Siegle.

Property development sits quite neatly with the normal trading activities of Whitbread and Mecca but it is the subordination of the property to the leisure interest that sets them off from similarly diversified groups like Ladbroke.

If a Mecca site, once used for some leisure business was recycled and turned into an office development, that development would be sold on and the funds reinvested in leisure. At Ladbroke, the office could well be retained as investment.

For Ladbroke, property is a core division in its own right. While property experience – extracting the maximum amount of revenue-producing space from a hotel, say – is brought to the aid of operating companies. "We will not sacrifice the objectives of the property division in order for another division to achieve its objective," Ladbroke explained.

**Total Returns (%)**

| | Retail | Office | Industrial | All Property |
|---|---|---|---|---|
| Year to July 89 | 15.7 | 30.8 | 38.3 | 24.8 |
| Quarter to July 89 | 3.1 | 6.5 | 8.5 | 5.2 |
| Month of July 89 | 0.7 | 1.8 | 2.3 | 1.4 |

Source: Investment Property Databank


**Institutions have not been very keen on investing in licensed property, but this may change in the light of the Monopolies and Mergers Commission report on beer supply and the number of pubs which any one brewer is able to possess.**

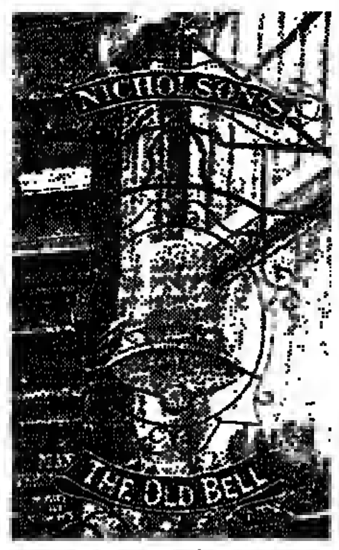
**It would suit companies like Whitbread if the institutions were more interested because that would give an extra degree of financial flexibility by opening up, for example, the possibility of pub sale and leaseback deals. The brewers would be able to do what retailers have long done with their property.**

**Under the latest plans of the Government, brewers with more than 2,000 tied pubs will have to lease 50 per cent of the surplus.**

**Whitbread has no desire to sell off large chunks of property but, according to Hugh Siegle, it is going to have to do something about 2,250 pubs.**

**Overall there are about 11,000 pubs which will be subject to the Government's demand for a restructuring of relations between brewers and pubs. But the pubs will come under the Landlord and Tenant Act 1954.**

**This will take tenants into the world of 25-year leases on a full, repairing basis – precisely the sort of lease arrangements which are common in other property sectors.**




**These are the sort of tenancy agreements with which institutions feel comfortable. With enough pubs on the market it would be possible to monitor rental levels, and hence capital values, thus creating a property market of the same sophistication as that of the retail property market, its nearest equivalent.**

**Whether the institutions will be interested in the changes springing from the Government's moves is not clear.**

**It took some years before the institutions adopted retail warehouses as a suitable investment. And their attitude towards property investment as a whole remains at best cautious.**



## PUBLIC NOTICES

**PIPE-LINES ACT 1962
ELECTRICITY & PIPE-LINE WORKS (ASSESSMENT OF ENVIRONMENTAL EFFECTS) REGULATIONS 1989
APPLICATION FOR PIPELINE CONSTRUCTION AUTHORISATION
GAS COUNCIL (EXPLORATION) LIMITED - PROPOSED EASINGTON TO IMMINGHAM CONDENSATE PIPELINE**

Gas Council (Exploration) Limited hereby give notice, in accordance with the provisions of Part 1 to Schedule 1 to the Pipe-lines Act 1962 and the regulation 6(3) of the Electricity and Pipe-line Works (Assessment of Environmental Effects) Regulations 1989, that an application has been made to the Secretary of State for Energy for the grant of authorisation for construction of a cross-country pipeline.

The proposed pipeline, which is to be for the conveyance of condensate is to run between the British Gas Natural Gas Terminal at Easington and Immingham Storage Company at Immingham.

The pipeline will be owned by Gas Council (Exploration) Limited.

A copy of the map, on which the proposed route of the pipeline is delineated, and a copy of the Environmental Statement which both accompanied the application, can be inspected during normal office hours in Room 1076, Department of Energy, Thames House South, Millbank, London SW1P 4QJ and at the offices of the following local authorities:

Holderness Borough Council, Glanford Borough Council and Cleethorpes Borough Council.

A copy of the Environmental Statement may be obtained from local gas showrooms in the area whilst stocks last at a cost of £2 each.

Objections to this application should be made in writing, setting out the grounds of objection and bearing the reference PEP 75/706/18 and should be sent to the Secretary of State for Energy at Thames House South, Millbank, London SW1P 4QJ (marked F.A.O. Mr D R Clementson, Head of Pipelines Inspectorate), to arrive not later than 6th October 1989.

Rivermill House
152 Grosvenor Road
London SW1V 3JL

D O'Connor
Company Secretary
Gas Council (Exploration) Limited

Dated: 29th August 1989

## COMPANY NOTICES

**OKG AKTIEBOLAG
(Formerly
Oskarshamnsverkets
Kraftgrupp Aktiebolag)
U.S.$50,000,000
*RETRACTABLE BONDS 1997***

In compliance with the requirements of the Council of The Stock Exchange, we inform holders of the above mentioned Bonds that copies of the English language version of the Annual Report and Accounts of OKG Aktiebolag are available from the offices of Hambros Bank Limited, 41 Tower Hill, London EC3N 4HA

## LEGAL NOTICES

*Insurance Companies Act 1982*
**FS ASSURANCE LIMITED
BRITANNIA LIFE LIMITED**

NOTICE IS HEREBY GIVEN that on 22nd August 1989, a Petition having been presented to the Court of Session by FS Assurance Limited a company incorporated under the Companies Acts 1948 to 1967 (registered no 47221) and having its registered office at 190 West George Street, Glasgow G2 2PA (hereinafter referred to as "FS") for

(1) the sanction of the Court as required by Section 49 of the Insurance Companies Act 1982 to a Scheme involving the transfer to Britannia Life Limited a company incorporated under the Companies Act 1985 (registered no 117118) and having its registered office at 190 West George Street, Glasgow G2 2PA (hereinafter referred to as "Britannia Life") of the whole of the long-term business (as defined by the said Act) carried on by FS; and

(2) an order under Section 50 of the said Act transferring to Britannia Life the whole of the undertakings and of the property and liabilities of FS attributable to such long term business,

the Vacation Judge by Interlocutor dated 22nd August 1989 appointed the Petition to be intimated on the Walls and in the Minute Book in common form and to be advertised once in the London Gazette, the Edinburgh Gazette and the Belfast Gazette and once in each of the Scotsman, Glasgow Herald, Financial Times and The Daily Telegraph newspapers, directed service of a copy of the Petition on Her Majesty's Secretary of State for Trade in common form, dispensed with the requirements of section 49(3)(b) of the Insurance Companies Act 1982, and appointed all parties claiming interest to lodge answers to the Petition if so advised within 21 days after such intimation, service and advertisement.

Copies of the Petition, the Scheme and the Report on the terms of the Scheme by an Independent Actuary (as required by Section 49 of the said Act) will be open to inspection at the registered offices of FS and Britannia Life, both situate at 190 West George Street, Glasgow G2 2PA and at each of the branch offices of FS, whose addresses are set forth in the Schedule hereto, during normal business hours on any week day (Monday to Friday) up to and including the day 21 days after the publication of this notice.

Copies of the above documents will be furnished to any person requiring the same by the under-mentioned Solicitors at any time before an Order sanctioning the Scheme is made on the Petition on payment of a copying charge of 10 pence per page.

All of which intimation is hereby given.

105 West George Street
Glasgow
G2 1QP

Biggart Baillie & Gifford WS
Solicitors for the Petitioners

1 September 1989

**Registered Number 2203561**

Nature of business: Dealers in property.
Trade classification: General construction & demolition.
Date of appointment of administrative receiver(s): 15 August 1989
Name of person appointing the administrative receiver(s): National Westminster Bank Plc
C J Hughes and J M Thompson, Joint Administrative Receivers (office holder no(s) 2641 and 5250) of Shelley House
3 Noble Street
LONDON
EC2V 7DQ

## BIRTHS

ATKIN - Mark and Chrissy are delighted to announce the birth of their son, Timothy John on 26th August 1989 at Nether Edge Hospital, Sheffield.

# COMMODITIES AND AGRICULTURE

## EC farm policy costs 'rose 140% over decade'

By Bridget Bloom, Agriculture Correspondent

THE COST of the European Community's farm policies has increased by nearly 140 per cent over the last decade and seems likely "to demand a huge and possibly growing share of the overall EC budget into the 1990s unless significant new reforms are made," Agra Europe, the independent Brussels-based intelligence agency believes.

In a new analysis of farm spending over the last decade, Agra Europe charts the rise in the total farm budget in actual terms from Ecu11.3bn in 1980 to this year's Ecu26.7bn (£18bn), noting that in the period covered, spending on arable production has increased nearly five times, to far outweigh that on livestock.

In 1980 some 56 per cent of the farm budget went on livestock, and 39 per cent on arable sector whereas the position has now been reversed, with nearly 60 per cent being spent on the arable sector this year compared to just under 35 per cent on livestock.

This reversal has happened despite the fact that reforms designed to curb spending on the arable sector have been in force for 18 months, while those on beef and sheepmeat – one of the most rapidly rising areas of spending – have only been agreed this year. However, spending on the dairy sector is now showing a decline following the introduction of quotas on production in 1984.

Agra Europe's analysis acknowledges that the rise in spending has been less marked since the introduction of the reforms. There was a 62 per cent rise in total farm spending during the four years between the end of 1980 and 1984, while only in two years since then – 1986 and 1988 – have there been rises of 10 per cent or more.

The analysis notes, however, that budgetary allocations for the two of the most expensive regimes – cereals and oilseeds – have increased by well over 100 per cent since 1984, with a 350 per cent jump being registered in the oils and fats sector. The tailing off in the increases in these sectors in the last two years has been largely the result of external factors such as the US drought of 1988, Agra Europe notes.

### CORRECTION

### Edlow Resources

EDLOW RESOURCES is registered in Bermuda, not in the US as stated in our article yesterday on Mozsmbican mining.

## Metals industry warned on green impact of 1990s

By Kenneth Gooding, Mining Correspondent

THE impact of environmental issues on the use of metals, though difficult to judge, may be the most important consideration for the mining and metals industry in the "green" 1990s, suggests Mr Andrew Smith, an analyst with the UBS Phillips & Drew financial services group.

"And because environmental pressures will not go away, these changes may be more profound than those which followed the 1970s oil price shocks," he adds in a detailed study in his latest Base Metals Outlook.

Mr Smith says the impact of increasing "green" concerns may be felt more on demand for metals rather than on mining and refining.

"It is conceivable that environmentally aware consumers in the 1990s will come to see goods more transparently, partly as a collection of raw material and energy inputs.

"Attributes of durability and recyclability will become even more important. Experimentation with metals and metal substitutes will increase," he says.

Taking the example of the car industry, which accounts at present for 27 per cent of all zinc consumed, 16 per cent of the aluminium and 9 per cent of the copper, Mr Smith points to three likely trends in material use in the mid to late 1990s.

● Plastics continue to be substituted for metals to achieve both weight reduction and lower-cost corrosion protection.

● Aluminium gradually becomes a more serious competitor for steel in car frames (although the aluminium industry's expectation of a 2.5m tonne aluminium car frame market, a 20 per cent addition to demand, "looks a little optimistic."

● New metals, metal compounds and new composite materials could replace traditional metels, for example: magnesium for aluminium and zinc in castings; titanium alloys in springs and valves; and manganesium/fibre or aluminium/fibre in pistons. "Cross fertilisation of ideas between the car and the aerospace industries may help reduce the cost penalty of these weight-saving alternatives," Mr Smith suggests.

On the supply side, Mr Smith points out that mineral-rich developing countries are becoming more sensitive to environmental issues and the demands such countries are beginning to make can be met only by larger companies. "Undercapitalised, smaller companies will find it more difficult to gain entry to what were once easy third-world pickings. In this sense, big may be beautiful in the green 1990s."

## Abu Dhabi rejects Australian sheep

AUSTRALIA'S LIVE sheep trade with the Middle East has hit further trouble with the rejection by Abu Dhabi of a shipload of 17,000 sheep it said are diseased, reports Reuter from Canberra.

Abu Dhabi says the sheep have Malta fever, a mild form of brucellosis.

The shipment was one of five rejected by Saudi Arabia for the diseases bluetongue or sheep pox, an Australian official said.

Abu Dhabi, along with six other emirates in the United Arab Emirates, has also decided not to take any more sheep rejected by other countries on the grounds of disease, he said.

The UAE, third largest Middle East recipient of Australian live sheep, taking around 730,000 head annually, has previously accepted sheep rejected by Saudi Arabia.

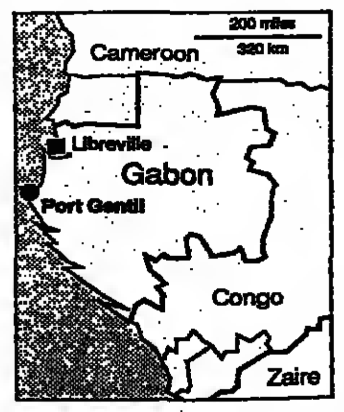
Other Gulf states have also taken sheep diverted from Saudi ports and declared them healthy, including Kuwait, which has accepted 98,697 sheep.

Australia denies that any of the rejected sheep carry any of the three diseases, which it says are not present in commercial flocks in Australia, and is demanding independent checks.

Australia has suspended exports of live sheep to Saudi Arabia pending settlement of the dispute, but other livestock exports to the Middle East are continuing.

## Gabon clears away the dead wood

**Howard Schissel** looks at moves to revitalise the forestry industry




IN AN effort to diversify its economy away from excessive dependence on the oil sector, the central African state of Gabon is seeking to revitalise its high-potential forestry industry.

The country's third largest activity after oil and mining, forestry produces around 1m cubic metres of wood annually, about two-thirds of which is exported.

In 1988, the value of timber exports slipped back to $158m, compared with $180m in 1984.

Forests cover 75 per cent of Gabon's territory, commercial wood reserves are pegged at 50m acres and are estimated at 300m cu m.

The Okoume tree, a soft mahogany variety used mainly to produce plywood, represents 72 per cent of production. Gabon virtually has the monopoly of this high-value species, as it also grows in limited quantity only in neighbouring Congo and Cameroon.

The Gabonese forestry industry has been suffering since the beginning of the decade from a severe crisis.

The slowdown in the European housing industry has blunted demand. More importantly, stiff competition from Far Eastern producers, particularly Indonesia, has cut into traditional markets and depressed prices.

The inefficiency of the state-controlled marketing agency, Société Nationale des Bois du Gabon (SNGB), has been responsible, too, for some of the sector's multiple troubles.

Earlier in the year, the Government, in the midst of an economic stabilisation programme, decided to restructure SNGB, instead of entirely privatising it as the World Bank and other advisory bodies suggested.

SNGB will maintain its monopoly of okoume, while the trade in other varieties of timber like ozigo will be privatised. Local forestry operators, mainly French, are sceptical about the impact of this measure, since okoume represents the lion's share of timber production.

The agency's management has been reorganised under Mr Mamadou Diop, a young technocrat. Showing his interest in restoring confidence in the company, President Omar Bongo named his deputy cabinet director, Mr Paul Biyoghe, as head of SNGB's board of directors.

Overseeing the restructuring of the Gabonese forestry industry is Mr Georges Rawiri, first vice premier minister, who also now heads the revamped Forestry Ministry.

The forestry industry is dominated by foreign interests, principally French. Two thirds of the okoume output is provided by seven large companies, such as French-owned Leroy and Rougier-Gabon.

Industry sources claim that the agency's 12.5 per cent commission on purchased wood is excessive, which, they point out, compares unfavourably with the 3 to 5 per cent that private firms would charge.

The Government, for its part, is obviously fearful of having this potentially lucrative timber sector entirely in private foreign hands.

Other reform measures are being introduced. In particular, the policy of granting of vast tracts of virgin forest land to wall-connected Gabonese nationals who subsequently farm them out to foreign interests is to be revised.

"As with the reorganisation of oil permit holdings in the early 1980s, the Government is hoping to bring new actors into the forestry industry and increase competition and efficiency," commented a western diplomat.

Also on Mr Diop's agenda is the broadening of SNGB's sales outlets. Special attention is to be given to developing sales in the Far East, notably Japan, South Korea and China and in West Africa.

"If the value of the dollar continues to increase, than Gabonese timber will become more competitive on world markets," said Mr Claude Molenat, head of the Wood Exporters' Association.

Efforts to modernise the sector are also underway. Industry sources estimate that some $75m is needed to replace ageing equipment; the Government has reduced duties on imported forestry equipment.

In the harsh conditions of the equatorial forest, the average life of equipment like bulldozers or heavy duty lorries is just three years.

Another important goal is to increase the amount of wood that is transformed locally into value-added products like plywood, veneer and sawn timber.

At present only about 20 per cent of production is processed locally. Mr Diop intends to raise the figure to 35 per cent in the mid-1990s.

Much of the wood transformation industry, however, is outdated and inefficient, requiring heavy investment to expand and modernise.

The Compagnie Forestière du Gabon, operator of a big plant at Port Gentil, is to be privatised as a means of relaunching investment and competitiveness; Mr Rawiri said that the majority state share will be reduced to between 20 and 25 per cent.

The completion of the trans-Gabon railway in 1986 has opened up to forestry vast tracts of previously inaccessible areas in the hinterland.

While other African wood producers have been obliged to cut back production as a result of deforestation, Gabon has not been so affected, although industry sources stress that forestry management techniques could be improved.

## 'Socialised' truffle set to mingle with the masses

**Peter Bruce** visits a Spanish farm which aims to double world production of the legendary fungus

AT FIRST sight it looks like a bonsai experiment gone wrong. More than 300,000 green oak trees – the biggest, 20 years old and not yet 2 metres high – are spread over a 680 hectare *finca* (farm) near a village in one of Spain's loneliest provinces, Soria.

But these trees are going to make their owners, the shareholders in a small foods group, Arotz, rich.

Most of them were planted in the late 1960s and early 1970s. When they begin to produce in the next two years, Arotz will control the world market in a very expensive little fungus – the black truffle.

"We want to regulate the market for truffles," says Mr Miguel Angel Escribano, Arotz' joint managing director. "When this *finca* is operating we will produce more truffles than the whole world does now."

The truffle "world" is France, Spain, Italy and Yugoslavia and the Yugoslavs sell all their truffles to the Italians.

Between tbem, they produce between 20 and 35 tonnes of the prized fungus a year, largely the through the labours of itinerant hunters who use pigs or dogs to sniff them out around oak and hazelnut trees.

It is a haphazard business and truffle harvests, and prices, can vary hugely from year to year. The small dark and aromatic balls are selling now for around Pta 80,000 (£417) a kilogram wholesale.

Two years ago, after a good harvest, the price was less than half that. But with the Arotz *finca* this volatility could end. They *know* the truffles are there.

The story of then truffle *finca* is remarkable. It is the only one of its kind in the world and, chuckles Mr Escribano, anyone who wanted to compete would have to plant their trees now and walk away from them until 2010.

That kind of patience was obviously one of Mr Salvador Arotzarena y Iribarren's principal virtues. Chairman of the company, he grew up near the French border and quickly learned that the people on the other side of the frontier liked to eat mushrooms and truffles.

In 1968, he bought the *finca*, purchased trees from a French research institute and began planting.

The trees are special. The acorns are injected with a (secret) chemical to encourage development of the truffles. They are then cultivated in seed boxes and after a few months are planted in the soil. Before this, the new tree's main deep root is cut away.

This keeps the trees short and encourages the spread of shallow roots, between 5cm and 25cm below ground, along which the truffles form. Arotz plans to use dogs to sniff them because the pigs used in France often eat the truffles they find.

Arotz, though, had always suffered from the haphazard harvests of its two main products – truffles found "naturally" and wild mushrooms. It had begun in the past few years to branch out into strawberries, raspberries, green asparagus and chestnuts. But it was short of cash; the truffle *finca* needed big investments, mainly in irrigation, to accelerate and stabilise production.

The company made a net profit of Pta 105m last year, showing no improvement at all on 1987, when the long arm of the Kuwaiti Investment Office, a major investor in Spain, reached out to tap it on the shoulder. KIO had bought control of Ebro, a sugar refiner, early in 1988 and was trying to diversify the company. Ebro's management spotted Arotz and, realising its potential in expensive conserved foods, snapped up 50 per cent of the company earlier this year.

Mr Escribano says it is impossible to forecast income from the *finca*. "There is no previous experience with something like this," he says. The 330,000 trees planted could produce anything between 100 grams and 500 grams each. Even at the lower figure, that more than doubles world production.

"We want to socialise the truffle," he says, meaning that even at the cost of bringing prices down, Arotz wants to get more people eating truffles or flavouring their food with them.

Today, some 70 per cent of all truffles produced are used in foie gras, the diseased livers of force-fed geese. Truffles currently cost about Pta 100,000 a tonne retail.

Marketing, however, is a problem. "You can't create a demand for 30 tonnes a year if you can't be sure you can satisfy it," he says.

The other difficulty is that although the Spanish and Italians produce about 12 tonnes annually, truffles, in the minds of anyone interested in eating them, are quintessentially French, just as olive oil is supposed to be Italian.

The Spanish already export much of their olive oil to Italy to be relabelled and sold and Arotz is facing the same kind of dilemma with its truffles.

Either it buys a packaging company in France or it simply sells to existing French packagers. The betting, though Mr Escribano was evasive on the question, is that the company will make an acquisition.

"We have to sell them as French," he says. "I feel bad about it bnt we can't do the impossible. Most high class restaurants have French chefs and French chefs only cook with French truffles."

## Sugar stocks 'face further reduction'

WORLD SUGAR stocks are likely to be reduced further in the 1989-90 (September-August) season after falling to the lowest level for eight years in 1988-89, F.O. Licht, the West German sugar statistics agency, said yesterday, reports Reuter from Ratzeburg.

In its fourth and final balance estimate for the season just ending, Licht put 1988-89 world production at 104.93m tonnes, raw value, compared with a previous estimate of 106.64m in May, because of lower-than-expected Soviet, Indian and Brazilian output. It put 1987-88 output at 104.84m tonnes.

Licht estimated 1988-89 world consumption at 107.69m tonnes, compared with 108.64m in May and 107.17m in 1987-88.

At best, 1989-90 production will reach some 109m tonnes, though in practice it is likely to be lower, with potential demand some 110m. tonnes, Licht forecast.

# WORLD COMMODITIES PRICES

## LONDON MARKETS

JAPANESE selling put aluminium prices under further pressure on the London Metal Exchange yesterday. Dealers said there was also talk of some Japanese buyers looking to delay fourth quarter contracts as the cash price fell $64.50 to close at $1,788.50 a tonne - down $85.50 on the week so far. Copper prices also continued to slide in line with the weakening on New York's Comex market. Traders said signs of an easing in the tight nearby supply situation encouraged the fall, which trimmed another £21.50 off the cash position at £1,845 a tonne. The Peruvian miners' strike appeared to have collapsed, they said, and there was scepticism about the strike due to start today at Chile's Salvador mine. In Canada, meanwhile, workers at the Highland valley mine were studying a proposal to end their 7-week strike.

**SPOT MARKETS**

| Crude oil (per barrel FOB) | | + or - |
|---|---|---|
| Dubai | $15.25-5.40w | +.125 |
| Brent Blend | $17.15-7.25z | +0.10 |
| W.T.I. (1 pm est) | $18.80-8.85w | +0.15 |
| **Oil products** (NWE prompt delivery per tonne CIF) | | + or - |
| Premium Gasoline | $198-200 | +1 |
| Gas Oil | $162-163 | +2 |
| Heavy Fuel Oil | $85-86 | +1 |
| Naphtha | $156-158 | |
| *Petroleum Argus Estimates* | | |
| **Other** | | + or - |
| Gold (per troy oz)♣ | $360.00 | -0.75 |
| Silver (per troy oz)♣ | 508c | -3 |
| Platinum (per troy oz) | $473.00 | -3.65 |
| Palladium (per troy oz) | $134 | -1 |
| Aluminium (free market) | $1795 | -70 |
| Copper (US Producer) | 140⅝-142 | |
| Lead (US Producer) | 39.5c | |
| Nickel (free market) | 560c | -15 |
| Tin (Kuala Lumpur market) | 22.55r | |
| Tin (New York) | 400.5 | +5.0 |
| Zinc (US Prime Western) | 83¾c | |
| Cattle (live weight)† | 117.31p | |
| Sheep (dead weight)† | 148.04p | |
| Pigs (live weight)† | 94.23p | |
| London daily sugar (raw) | $336.4v | +6.0 |
| London daily sugar (white) | $493.5v | +6.5 |
| Tate and Lyle export price | £327.5 | +5.5 |
| Barley (English feed) | £106.13z | +1.13 |
| Maize (US No. 3 yellow) | £128z | |
| Wheat (US Dark Northern) | £126.5t | -0.5 |
| Rubber (spot)♥ | 58.75p | +0.75 |
| Rubber (Oct)♥ | 61.75p | |
| Rubber (Nov)♥ | 62.50p | |
| Rubber (KL RSS No 1 Sep) | 238.0m | |
| Coconut oil (Philippines)§ | $490v | +5 |
| Palm Oil (Malaysian)§ | $317.5w | |
| Copra (Philippines)§ | $300 | |
| Soyabeans (US) | £171z | |
| Cotton "A" Index | 83.00c | +5.25 |
| Wooltops (64s Super) | 600p | |

**COCOA – London FOX** £/tonne

| | Close | Previous | High/Low |
|---|---|---|---|
| Sep | 782 | 765 | 783 769 |
| Dec | 847 | 825 | 848 830 |
| Mar | 818 | 801 | 819 808 |
| May | 828 | 808 | 826 019 |
| Jul | 844 | 825 | 844 833 |
| Sep | 857 | 842 | 857 864 |
| Dec | 881 | 869 | 882 877 |

Turnover: 7922 (7881) lots of 15 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Aug 30 956.66 (941.82) :15 day average for Aug 31 962.14 (971.08)

**COFFEE – London FOX** £/tonne

| | Close | Previous | High/Low |
|---|---|---|---|
| Sep | 774 | 789 | 775 762 |
| Nov | 768 | 790 | 790 773 |
| Jan | 798 | 798 | 798 779 |
| Mar | 808 | 811 | 810 794 |
| May | 826 | 825 | 824 815 |
| Jul | 835 | 850 | 836 828 |
| Sep | 854 | 860 | 850 848 |

Turnover: 5028 (8608) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Aug 30: Comp. daily 71.60 (70.82). 15 day average 68 19 (68.11)

**SUGAR – London FOX** ($ per tonne)

| Raw | Close | Previous | High/Low |
|---|---|---|---|
| Oct | 299.50 | 295.00 | 301.00 291.50 |
| Dec | 294.00 | 290.80 | 292.00 290.00 |
| Mar | 285.40 | 280.00 | 285.80 278.00 |
| May | 281.00 | 275.20 | 280.00 278.00 |
| Aug | 278.00 | 270.00 | 272.00 |
| Oct | 270.00 | 253.40 | 268.60 267.00 |
| **White** | **Close** | **Previous** | **High/Low** |
| Oct | 428.00 | 421.50 | 432.00 420.00 |
| Dec | 392.50 | 385.50 | 394.00 386.00 |
| Mar | 359.00 | 353.50 | 361.00 350.60 |
| May | 354.50 | 350.00 | 356.00 |
| Aug | 351.00 | 346.50 | 352.00 |
| Oct | 348.00 | 343.50 | 349.00 345.00 |

Turnover: Raw 4543 (2932)lots of 50 tonnes. White 1606 (1688).
Paris- White (FFr per tonne): Oct 2805, Dec 2570, Mar 2375, May 2355, Aug 2345, Oct 2310.

**GAS OIL – IPE** $/tonne

| | Close | Previous | High/Low |
|---|---|---|---|
| Sep | 158.75 | 157.50 | 160.00 158.75 |
| Oct | 157.75 | 155.75 | 158.00 156.50 |
| Nov | 155.25 | 155.25 | 158.00 158.50 |
| Dec | 157.75 | 155.50 | 158 00 158.50 |
| Jan | 156.50 | 154.25 | 158.75 155.75 |
| Feb | 153.50 | 151.25 | 153.50 152.60 |
| Mar | 148.50 | 147.00 | 148.50 |
| Apr | 146.00 | 145.25 | 145.75 |

Turnover 13405 (8622)lots of 100 tonnes

**CRUDE OIL – IPE** $/barrel

| | Close | Previous | High/Low |
|---|---|---|---|
| Oct | 17.25 | 17.00 | 17.30 17.11 |
| Nov | 17.14 | 16.89 | 17.17 17.00 |
| Dec | 17.07 | 16.83 | 17.07 17.00 |
| IPE Index | 17.00 | 16.95 | |

Turnover: 8228 (4660)

**FRUIT AND VEGETABLES**
Homegrown Worcester apples are now in season 35-45p a lb and Carmel Thompson grapes are also available 70p-£1.00, reports FFVIB. Bananas are 35-50p, oranges 8-25p each and yellow honeydew melons 50p-£1.00. Vegetable prices are stable, with cauliflowers 40-60p, potatoes 10-17p a lb, courgettes 35-50p and parsnips 30-40p. Jersey Outdoor tomatoes are in at 40-60p, while all salad vegetables are abundant, cucumbers 30-60p each, iceberg lettuce 50-90p and watercress 30-40p a bunch.

**LONDON METAL EXCHANGE** (Prices supplied by Amalgamated Metal Trading)

| | Close | Previous | High/Low | AM Official | Kerb close | Open interest |
|---|---|---|---|---|---|---|
| **Aluminium, 99.7% purity ($ per tonne)** | | | | | | Ring turnover 15,600 tonne |
| Cash | 1787-90 | 1852-4 | | 1793-5 | | |
| 3 months | 1782-4 | 1833-5 | 1820/1782 | 1787-8 | 1783-5 | 30,835 lots |
| **Copper, Grade A (£ per tonne)** | | | | | | Ring turnover 20,025 tonne |
| Cash | 1844-6 | 1865-8 | 1834/1845 | 1862-3 | | |
| 3 months | 1820-1 | 1828-9 | 1835/1818 | 1834-5 | 1815-6 | 72,318 lots |
| **Lead (£ per tonne)** | | | | | | Ring turnover 10,825 tonne |
| Cash | 470-1 | 474-5 | 471/470 | 469-75 | | |
| 3 months | 458-8.5 | 457-8 | 463/452 | 460-0.5 | 458-9 | 15,745 lots |
| **Nickel ($ per tonne)** | | | | | | Ring turnover 756 tonne |
| Cash | 12200-300 | 12350-450 | 12300/12200 | 12200-50 | | |
| 3 months | 11075-900 | 11900-25 | 11950/11800 | 11850-950 | 11950-2000 | 5,011 lots |
| **Tin ($ per tonne)** | | | | | | Ring turnover 745 tonne |
| Cash | 8600-25 | 8500-50 | | 8570-90 | | |
| 3 months | 8660-80 | 8550-60 | 8700/8580 | 8640-50 | 8675-80 | 5,883 lots |
| **Zinc, Special High Grade ($ per tonne)** | | | | | | Ring turnover 13,180 tonne |
| Cash | 1870-90 | 1850-5 | 1890/1870 | 1880-90 | | |
| 3 months | 1650-5 | 1650-2 | 1660/1640 | 1648-50 | 1650-60 | 12,518 lots |
| **Zinc ($ per tonne)** | | | | | | Ring turnover 4,950 tonne |
| Cash | 1865-70 | 1890-5 | 1875/1850 | 1850-60 | | |
| 3 months | 1611-2 | 1635-40 | 1515/1610 | 1620-5 | 1610-20 | 3,303 lots |

LME Closing £/$ rate: SPOT: 1.5735 3 months: 1.5546 0 months: 1.5383 0 months: 1.5258

**POTATOES – BFE** £/tonne

| | Close | Previous | High/Low |
|---|---|---|---|
| Nov | 139.5 | 138.5 | 139.5 138.5 |
| Feb | 165.0 | 165.5 | 160.0 |
| Apr | 216.1 | 213.0 | 216.5 212.5 |
| May | 240.0 | 236.5 | 239.5 236.0 |

Turnover 270 (339) lots of 40 tonnes.

**SOYABEAN MEAL – BFE** £/tonne

| | Close | Previous | High/Low |
|---|---|---|---|
| Oct | 139 00 | 137.50 | 138.50 138.50 |
| Dec | 140.60 | 139.00 | 140.00 140.00 |
| Feb | 144.00 | 143.00 | |
| Apr | 144.00 | 143.00 | |

Turnover 50 (220)lots of 20 tonnes.

**FREIGHT FUTURES – BFE** $10/index point

| | Close | Previous | High/Low |
|---|---|---|---|
| Aug | 1426 | 1424 | |
| Sep | 1467 | 1483 | 1475 1465 |
| Oct | 1536 | 1545 | 1543 1536 |
| Jan | 1581 | 1585 | 1583 1581 |
| Apr | 1606 | 1615 | 1609 1605 |
| BFI | 1426 | 1425 | |

Turnover 162 (83)

**GRAINS – BFE** £/tonne

| Wheat | Close | Previous | High/Low |
|---|---|---|---|
| Sep | 105.50 | 106.00 | 105 50 |
| Nov | 100.05 | 100.35 | 109.30 109.05 |
| Jan | 112.60 | 112.80 | 112.80 112.50 |
| Mar | 115.40 | 115.70 | 115.50 115.40 |
| May | 118.15 | 118.35 | 118.20 118.15 |
| Jun | 119.80 | 120.00 | |
| **Barley** | **Close** | **Previous** | **High/Low** |
| Sep | 102.15 | 102.45 | 102.20 |
| Nov | 106.25 | 106.60 | 106.40 |
| Jan | 109.50 | 109.75 | |
| Mar | 112.50 | - | 112.36 |
| May | 114.40 | - | 114.45 114.40 |

Turnover: Wheat 193 (127), Barley 36 (5).
Turnover lots of 100 tonnes.

**PIGS – BFE** (Cash Settlement) p/kg

| | Close | Previous | High/Low |
|---|---|---|---|
| Oct | 122.0 | 122.0 | |
| Nov | 123.0 | 122.5 | |
| Feb | 115.5 | 115.5 | |
| Apr | 115.5 | 115.5 | |

Turnover 4 (90) lots of 3,250 kg

**LONDON BULLION MARKET**

| Gold (fine oz) | $ price | £ equivalent |
|---|---|---|
| Close | 359¼-360¼ | 228½-229 |
| Opening | 359½-360 | 228-228½ |
| Morning fix | 359.6 | 228.651 |
| Afternoon fix | 359.8 | 228.590 |
| Day's high | 360¼-360¾ | |
| Day's low | 358¼-358¾ | |
| **Coins** | **$ price** | **£ equivalent** |
| Mapleleaf | 370-375 | 235-238 |
| Britannia | 370-375 | 225-238 |
| US Eagle | 370-375 | 235-238 |
| Angel | 369-374 | 234½-237½ |
| Krugerrand | 358-361 | 227½-229½ |
| New Sov. | 84½-85½ | 53¼-54½ |
| Old Sov. | 84½-85½ | 53¼-54½ |
| Noble Plat | 478.65-486.25 | 304.70-309.50 |
| **Silver fix** | **p/fine oz** | **US cts equiv** |
| Spot | 322.95 | 508.90 |
| 3 months | 334.35 | 518.45 |
| 6 months | 345.50 | 529.85 |
| 12 months | 367.20 | 553.15 |

**TRADED OPTIONS**

| Aluminium (99.7%) | Calls | | Puts | |
|---|---|---|---|---|
| Strike price $ tonne | Nov | Jan | Nov | Jan |
| 1650 | 153 | 137 | 14 | 48 |
| 1750 | 84 | 84 | 43 | 90 |
| 1850 | 38 | 47 | 96 | 100 |
| **Copper (Grade A)** | **Calls** | | **Puts** | |
| 2700 | 219 | 168 | 74 | 134 |
| 2900 | 115 | 89 | 167 | 248 |
| 3000 | 79 | 62 | 229 | 319 |
| **Coffee** | **Nov** | **Jan** | **Nov** | **Jan** |
| 750 | 50 | 98 | 30 | 60 |
| 800 | 39 | 73 | 50 | 75 |
| 850 | 21 | 53 | 68 | 105 |
| **Cocoa** | **Dec** | **Mar** | **Dec** | **Mar** |
| 750 | | 101 | | 34 |
| 800 | 69 | 72 | 22 | 50 |
| 850 | 41 | 58 | 44 | 60 |
| **Brent Crude** | **Oct** | **Nov** | **Oct** | **Nov** |
| 1650 | - | 88 | 1 | 25 |
| 1700 | 28 | 54 | 5 | 43 |
| 1750 | 5 | 30 | 28 | 68 |

## US MARKETS

Trading was slow in many of the U.S. markets as the upcoming holiday weekend kept many traders on the sidelines. In the metals, gold, silver and platinum all slipped from dollar-related selling. Copper rallied sharply near the close with fund buying and rumours of further strikes. In the softs, prices remained higher, but trading was uneventful. The grains featured early commercial buying and local short-covering in the soy complex. Corn and wheat futures were firm from spillover buying. In the livestocks, pork bellies gained as possible export business continues to provide strength. Price hit limit-up early on before profit-taking pared gains. Live hogs and cattle were lower as cash prices weighed in the markets. Cotton futures fell slightly from scattered liquidation. The energy complex was dull except for a modest rally in heating oil.

### New York

**GOLD 100 troy oz.; $/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 359.9 | 361.8 | 360.8 | 360.8 |
| Oct | 361.7 | 363.8 | 363.2 | 361.0 |
| Nov | 363.8 | 0 | 0 | 0 |
| Dec | 365.4 | 367.6 | 367.4 | 364.6 |
| Feb | 369.2 | 371.5 | 371.0 | 368.7 |
| Apr | 373.2 | 375.5 | 374.5 | 372.5 |
| Jun | 377.3 | 379.6 | 378.0 | 377.8 |
| Aug | 381.2 | 383.5 | 383.0 | 383.0 |
| Oct | 385.3 | 387.7 | 386.7 | 385.7 |

**PLATINUM 80 troy oz; $/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 471.0 | 476.7 | 5 | 5 |
| Oct | 473.5 | 479.2 | 476.6 | 470.0 |
| Jan | 477.7 | 483.0 | 480.5 | 474.0 |
| Apr | 480.5 | 486.3 | 481.0 | 481.0 |
| Jul | 483.5 | 490.0 | 486.0 | 486.0 |
| Oct | 487.0 | 493.8 | 491.0 | 491.0 |

**SILVER 5,000 troy oz; cents/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 504.5 | 509.5 | 506.0 | 504.0 |
| Oct | 508.2 | 512.2 | 5 | 5 |
| Nov | 512.8 | 5 | 5 | 5 |
| Dec | 516.5 | 521.5 | 520.5 | 516.0 |
| Jan | 519.7 | 524.2 | 5 | 5 |
| Mar | 528.0 | 532.5 | 532.5 | 527.0 |
| May | 535.7 | 540.2 | 539.0 | 536.5 |
| Jul | 543.8 | 548.3 | 548.0 | 544.0 |
| Sep | 552.1 | 556.5 | 556.0 | 553.0 |
| Dec | 563.9 | 568.4 | 566.0 | 564.0 |

**INDICES**

**REUTERS** (Base: September 18 1931 = 100)

| Aug 30 | Aug 29 | mnth ago | yr ago |
|---|---|---|---|
| 1913.9 | 1919.0 | 1898.1 | 1698.3 |

**DOW JONES** (Base: Dec. 31 1974 = 100)

| | | | | |
|---|---|---|---|---|
| Spot | 130.80 | 129.50 | 128.64 | 132.61 |
| Futures | 130.70 | 131.68 | 128.70 | 136.57 |

**COPPER 25,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 131.95 | 129.00 | 133.00 | 125.20 |
| Oct | 130.95 | 127.80 | 0 | 0 |
| Nov | 129.95 | 5 | 5 | 0 |
| Dec | 128.95 | 125.60 | 129.40 | 122.60 |

**CRUDE OIL (Light) 42,000 US galls $/barrel**

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Oct | 18.63 | 18.83 | 15.00 | 18.79 |
| Nov | 18.50 | 18.63 | 18.81 | 18.63 |
| Dec | 18.60 | 18.51 | 18.69 | 18.55 |
| Mar | 18.36 | 18.27 | 18.42 | 18.32 |
| Apr | 18.28 | 18.23 | 18.38 | 18.28 |
| May | 18.34 | 18.10 | 18.34 | 18.34 |
| Jun | 18.30 | 18.15 | 18.30 | 18.20 |
| Jul | 18.26 | 18.11 | 18.26 | 18.20 |

**HEATING OIL 42,000 US galls, cents/US galls**

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 5370 | 5311 | 5380 | 5315 |
| Oct | 5415 | 5377 | 5450 | 5395 |
| Nov | 5475 | 5433 | 5510 | 5445 |
| Dec | 5520 | 5483 | 5550 | 5490 |
| Jan | 5480 | 5433 | 5490 | 5450 |
| Feb | 5381 | 5353 | 5400 | 5370 |
| Mar | 5210 | 5168 | 5225 | 5200 |
| Apr | 5056 | 4996 | 5055 | 5040 |
| May | 4940 | 4883 | 4975 | 4940 |

**COCOA 10 tonnes;$/tonnes**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 1143 | 1134 | 1150 | 1140 |
| Dec | 1149 | 1140 | 1161 | 1146 |
| Mar | 1154 | 1149 | 1164 | 1151 |
| May | 1168 | 1162 | 1178 | 1166 |
| Sep | 1210 | 1202 | 1213 | 1215 |
| Jul | 1121 | 1180 | 1195 | 1186 |
| Dec | 1227 | 1229 | 1240 | 1227 |

**COFFEE "C" 37,500lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 88.50 | 86.54 | 87.54 | 86.00 |
| Dec | 85.76 | 86.50 | 86.80 | 84.70 |
| Mar | 87.94 | 86.72 | 88.60 | 86.50 |
| May | 90.25 | 89.00 | 90.60 | 89.20 |
| Jul | 92.00 | 90.86 | 92.20 | 51.25 |
| Sep | 93.25 | 93.00 | 94.00 | 93.00 |
| Dec | 96.18 | 95.75 | 96.25 | 95.30 |

**SUGAR WORLD "11" 112,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Oct | 13.39 | 13.27 | 13.47 | 13.11 |
| Jan | 12.61 | 12.49 | 0 | 5 |
| Mar | 12.74 | 12.52 | 12.78 | 12.45 |
| May | 12.52 | 12.30 | 12.53 | 12.28 |
| Jul | 12.35 | 12.10 | 12.35 | 12.05 |
| Oct | 12.14 | 11.89 | 12.14 | 11.87 |

**COTTON 50,000; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Oct | 72.70 | 74.40 | 74.30 | 73.65 |
| Dec | 74.62 | 75.36 | 75.30 | 74.35 |
| Mar | 75.75 | 76.86 | 76.25 | 75.46 |
| May | 76.46 | 76.85 | 76.80 | 76.05 |
| Jul | 76.15 | 76.65 | 76.70 | 76.00 |
| Oct | 71.05 | 71.16 | 71.10 | 71.00 |

**ORANGE JUICE 15,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 161.70 | 160.00 | 162.00 | 160.00 |
| Nov | 145.35 | 144.25 | 145.75 | 144.50 |
| Jan | 143.20 | 141.50 | 143.50 | 141.50 |
| Mar | 142.20 | 140.45 | 142.50 | 140.50 |
| May | 140.10 | 139.90 | 140.10 | 140.10 |

### Chicago

**SOYABEANS 5,000 bu min; cents/60lb bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 586/0 | 579/2 | 593/0 | 580/4 |
| Nov | 587/4 | 577/6 | 592/0 | 577/6 |
| Jan | 597/6 | 588/6 | 602/0 | 588/4 |
| Mar | 606/4 | 599/6 | 612/0 | 600/0 |
| May | 616/6 | 608/4 | 622/0 | 609/4 |
| Jul | 623/6 | 615/0 | 627/0 | 614/4 |
| Aug | 615/0 | 607/0 | 0 | 0 |
| Sep | 593/0 | 590/0 | 0 | 0 |

**SOYABEAN OIL 60,000 lbs; cents/lb**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 18.44 | 18.19 | 18.60 | 18.20 |
| Oct | 18.68 | 18.39 | 18.72 | 18.42 |
| Dec | 19.14 | 18.89 | 19.22 | 18.87 |
| Jan | 19.38 | 19.12 | 19.44 | 19.11 |
| Mar | 19.78 | 19.60 | 19.86 | 19.57 |
| May | 20.05 | 19.90 | 20.20 | 20.00 |
| Jul | 20.37 | 20.21 | 20.50 | 20.16 |
| Aug | 20.25 | 20.02 | 20.20 | 20.30 |

**SOYABEAN MEAL 100 tons; $/ton**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 194.5 | 161.8 | 195.8 | 192.0 |
| Oct | 186.8 | 184.3 | 188.0 | 184.3 |
| Dec | 185.2 | 182.7 | 186.5 | 182.5 |
| Jan | 185.1 | 182.6 | 186.5 | 182.8 |
| Mar | 185.5 | 182.7 | 186.8 | 183.0 |
| May | 184.7 | 183.0 | 186.5 | 183.0 |
| Jul | 184.7 | 182.0 | 186.5 | 183.0 |
| Aug | 185.2 | 183.5 | 185.0 | 185.6 |

**MAIZE 5,000 bu min; cents/56lb bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 234/4 | 231/6 | 236/0 | 232/2 |
| Dec | 236/6 | 233/6 | 237/2 | 234/0 |
| Mar | 244/4 | 241/2 | 244/4 | 241/0 |
| May | 249/4 | 246/2 | 250/0 | 246/4 |
| Jul | 251/4 | 248/0 | 251/6 | 248/6 |
| Sep | 244/0 | 240/0 | 244/0 | 240/4 |
| Dec | 243/0 | 239/4 | 243/0 | 239/4 |

**WHEAT 5,000 bu min; cents/60lb-bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 386/0 | 385/6 | 387/4 | 384/6 |
| Dec | 399/2 | 390/2 | 400/4 | 398/2 |
| Mar | 401/6 | 402/2 | 403/2 | 400/4 |
| May | 390/4 | 386/4 | 391/0 | 384/4 |
| Jul | 361/0 | 361/4 | 362/4 | 353/0 |
| Sep | 368/4 | 367/4 | 369/0 | 361/0 |

**LIVE CATTLE 40,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 71.80 | 72.80 | 72.25 | 71.80 |
| Oct | 73.75 | 74.22 | 74.37 | 73.62 |
| Dec | 73.62 | 73.85 | 74.00 | 73.45 |
| Feb | 72.57 | 72.52 | 72.95 | 72.30 |
| Apr | 73.85 | 73.72 | 74.15 | 73.72 |
| Jun | 71.87 | 71.72 | 72.05 | 71.60 |
| Aug | 70.15 | 69.90 | 70.20 | 70.15 |

**LIVE HOGS 30,000 lb; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Oct | 40.47 | 40.77 | 41.40 | 40.27 |
| Dec | 42.47 | 42.35 | 43.05 | 41.95 |
| Feb | 43.75 | 43.47 | 44.10 | 42.10 |
| Apr | 41.60 | 41.40 | 41.80 | 41.10 |
| Jun | 45.87 | 45.55 | 46.15 | 45.40 |
| Jul | 46.27 | 46.00 | 46.45 | 46.00 |
| Aug | 44.72 | 44.60 | 45.10 | 44.80 |
| Oct | 42.22 | 42.05 | 42.60 | 42.00 |

**PORK BELLIES 40,000 lbs; cents/lb**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Feb | 44.00 | 43.17 | 46.17 | 42.60 |
| Mar | 44.00 | 43.35 | 45.95 | 42.85 |
| May | 44.57 | 43.47 | 45.42 | 42.80 |
| Jul | 44.80 | 43.82 | 45.85 | 43.45 |
| Aug | 45.85 | 44.30 | 45.85 | 44.80 |

## LONDON STOCK EXCHANGE

# Bid stories trigger upturn in equities

London's equity market was jolted out of its exceptionally quiet post-August bank holiday period by the re-emergence of takeover activity, both real and rumoured. A much busier market session was given added spice by some significant corporate news, plus a spate of important company reports.

Brokers reported a steady stream of buying orders from both institutions and private clients, with the market awash with stories of bids past, present and just around the corner.

The FT-SE 100-share index demonstrated the gradual build up of buying interest in the market. Opening some 4 points firmer at 2,385.5, the Footsie initially faltered but then quickly accelerated to reach the session's peak of 2,394.8 in mid-afternoon. It ended with a net gain of 6.6 points at 2,387.6.

Additionally, there were technical factors fuelling the widespread improvement throughout the market. Speculators were able to buy stock yesterday for the new trading account which starts on Monday and were said to have done so in a relatively small way. In the background, it was said that some of the biggest and most influential of the market-making firms were still short of stock in some crucial areas.

Turnover levels also showed an improvement on very recent depressed levels. At 5pm some 447m shares had changed hands, compared with Wednesday's 414m and Tuesday's 384m. It was said that the increase in shares traded owed much to a programme trade on the sell side carried out first thing, but there was no confirmation of this. On the contrary, dealers said there was evidence that a small buy programme had been started late on Wednesday.

The bids came for some smaller market stocks, Gordon Russell and Medminster while Caradon, the building products group, followed up Wednesday's price rise by announcing it had attracted an approach which could lead to a bid. Of the bid possibles, United Biscuits drew heavy support on stories of a possible move against the group by KKR, the US buyout specialists.

In the background to the latest rise, however, many equity market strategists are preaching caution. UBS Phillips & Drew say "We doubt that the current trading range (of the FTSE), probably around 2,300 to 2,400 can be much bettered next year." George Hodgson at Citicorp Scrimgeour Vickers says "domestic cyclical areas of the market could come under pressure in the gloomy tone of the CBI survey is indeed a good indicator of the tone of the coming results season." Shearson Lehman Hutton says the 32 per cent rise since the start of the year is "probably enough for the moment," while County NatWest says "the equity market has run out of steam and 2,400 will prove a major hurdle."

**Account Dealing Dates**

| | | | |
|---|---|---|---|
| First Dealings: | Aug 14 | Sep 4 | Sep 18 |
| Option Declarations: | Aug 31 | Sep 14 | Sep 28 |
| Last Dealings: | Sep 1 | Sep 15 | Sep 29 |
| Account Day: | Sep 11 | Sep 25 | Oct 9 |

New time dealings may take place from 8.00 am two business days earlier.

## FINANCIAL TIMES STOCK INDICES

| | Aug 31 | Aug 30 | Aug 29 | Aug 25 | Aug 24 | Year Ago | 1989 High | 1989 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs | 86.81 | 87.03 | 87.01 | 87.14 | 87.12 | 86.48 | 89.29 (8/2) | 83.75 (14/6) | 127.4 (9/1/35) | 49.19 (3/1/75) |
| Fixed Interest | 97.88 | 98.18 | 98.20 | 98.28 | 98.40 | 95.87 | 99.59 (15/3) | 95.21 (13/6) | 105.4 (28/11/47) | 50.53 (3/1/75) |
| Ordinary Share | 1977.6 | 1970.9 | 1972.7 | 1981.0 | 1977.9 | 1391.5 | 1981.0 (25/8) | 1447.8 (3/1) | 1981.0 (25/8/89) | 49.4 (26/6/40) |
| Gold Mines | 198.9 | 185.8 | 184.9 | 187.0 | 199.9 | 193.1 | 206.0 (7/7) | 154.7 (17/2) | 734.7 (15/2/83) | 43.5 (26/10/71) |
| FT-SE 100 Share | 2387.9 | 2381.3 | 2380.9 | 2397.4 | 2393.1 | 1730.5 | 2397.4 (25/8) | 1782.8 (3/1) | 2443.4 (16/7/87) | 986.9 (23/7/84) |
| Ord. Div. Yield | 4.00 | 4.01 | 4.01 | 3.99 | 4.00 | 4.88 | | | | |
| Earning Yld %(full) | 9.58 | 9.61 | 9.59 | 9.56 | 9.57 | 12.32 | | | | |
| P/E Ratio(Net)(☆) | 12.59 | 12.55 | 12.56 | 12.61 | 12.59 | 9.87 | | | | |
| SEAQ Bargains(5pm) | 28,267 | 25,737 | 26,702 | 28,142 | 28,564 | 22,577 | | | | |
| Equity Turnover(£m)† | - | 855.07 | 702.58 | 1034.97 | 1032.02 | 820.73 | | | | |
| Equity Bargains† | - | 26,155 | 28,319 | 29,715 | 28,534 | 21,678 | | | | |
| Shares Traded (ml)† | - | 356.9 | 314.4 | 391.9 | 395.5 | 321.6 | | | | |

Basis 100 Govt. Secs 15/10/26. Fixed Int. 1928. Ordinary 1/7/35, Gold mines 12/9/55. Basis 100C FT-SE 100 31/12/83. ☆ Nil 12.47

Ordinary Share Index, Hourly changes — Day's High 1980.9 — Day's Low 1972.9

| Open | 10 a.m. | 11 a.m. | 12 p.m. | 1 p.m. | 2 p.m. | 3 p.m. | 4 p.m. |
|---|---|---|---|---|---|---|---|
| 1972.9 | 1973.9 | 1975.8 | 1977.2 | 1978.9 | 1979.4 | 1980.5 | 1978.9 |

FT-SE, Hourly changes — Day's High 2394.3 — Day's Low 2384.6

| Open | 10 a.m. | 11 a.m. | 12 p.m. | 1 p.m. | 2 p.m. | 3 p.m. | 4 p.m. |
|---|---|---|---|---|---|---|---|
| 2385.5 | 2386.0 | 2387.5 | 2389.7 | 2391.5 | 2391.4 | 2393.5 | 2390.0 |

**S.E. ACTIVITY**

| Indices | Aug 30 | Aug 29 |
|---|---|---|
| Gilt Edged Bargains | 76.1 | 90.9 |
| Equity Bargains | N/A | N/A |
| Equity Value | N/A | N/A |
| 5-Day average | | |
| Gilt Edged Bargains | 84.4 | 85.3 |
| Equity Bargains | N/A | N/A |
| Equity Value | N/A | N/A |

SE Activity 1974. †Excluding intra-market business & O'seas turnover. London report and latest Share Index: Tel. 0898 123001

## KKR talk boosts Biscuits

There was a revival of bid speculation in United Biscuits as an American securities house put about a story that Kohlberg Kravis Roberts, the New York leveraged buyout specialist, had filed for permission to buy up to 15 per cent of UB stock. Although there was no confirmation of the story from either side of the Atlantic, speculative buyers rushed to the stock in early trading, pushing the price to a session high of 408p.

The lack of a follow through saw the shares slip back to 398p, up 10 on the day on turnover of 3.8m. There was also some interest in the options market, and by the close contracts worth more than 1m of underlying UB stock had been traded.

Most analysts treated the story cautiously, saying that although UB has long been widely tipped as a possible takeover target, there is no proof so far of any real interest in the company from the US. "Frankly, until I see something in black and white I wont' pay any attention to the speculation in United Biscuits," was a typical comment.

### LASMO gas hopes

LASMO hogged the limelight in oils as the market picked up whispers that the company had made a large-scale onshore gas discovery in Pakistan, in the Tajjal permit in Sind Province, where LASMO has a 35 per cent interest. There was talk that the find was as big as 3,000bn cubic feet of gas.

Oil sector specialists said market talk of a discovery of this magnitude was premature. "They have drilled one well and you could not prove a find of that size from that from that, but it seems that there is obviously something good there," said one analyst. Another said that LASMO had found something significant but added thet he did not expect any hard news for at least a week.

LASMO shares ran up to 530p at one point as the Pakistan gas find story circulated, but later eased off to end the session a net 6 higher at 527p on turnover of 1.9m.

### Caradon in bid talks

The building materials sector was electrified by the announcement that Caradon was in bid talks. Caradon shares powered ahead as marketmakers cast about for the names of possible suitors. Apart from the company's own management, they included Bowater Industries, MB Group, RTZ, Williams Holdings, Norcros, Spring Ram and Blue Circle. The last three named were dismissed by analysts as either not having access to sufficient cash, or, in Blue Circle's case, already being involved in a takeover attempt, for Myson. Caradon closed at up 109 at 464p.

Both bids for Myson, from Blue Circle and Yale and Valor, lapsed yesterday after they were referred to the Monopolies and Mergers Commission. Myson lost 25 to 208p and the reduced chance of a successful offer from Yale left the shares 6 off at 348p.

Other building materials stocks to put in good performances in the excitement included Marley, 11 better at 148p, Spring Ram, up 8 at 108p, Expamet, 6 harder at 236p and A Russell which ended 2 up at 98p. "There are plenty of potential Caradons in the stockmarket," said one analyst.

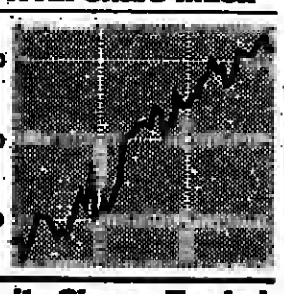
### Cadbury on target

Half-year figures from Cadbury Schweppes carried few surprises, but the £141m acquisition of US soft drinks group Crush International from Procter and Gamble was unexpected, and generally well-received. The shares came off their high of 417p after the results, and in modest trade finished a penny lower at 413p; turnover was 1.4m.

Mr Carl Short at Kitcat & Aitken welcomed the purchase of Crush, saying the newly-acquired operation would "look attractive when integrated within the group's beverage area and enhance [Cadbury's] world market position behind Coke and Pepsi."

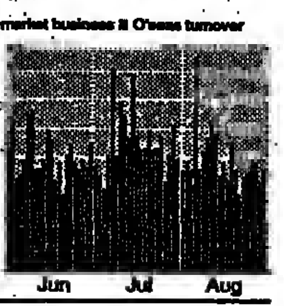
Forecasts for the current year now range around £245m-£250m, and for next year nearer £280m. As for the outlook for the shares, analysts are recommending caution given that there is a considerable bid premium already in the price. General Cinema, the US group with 16.9 per cent of Cadbury, still holds the key to any possible bid, but it is planning to reduce its stake by redeeming its convertible bonds using Cadbury shares so researchers are warning that bid speculation could die down. Hold the stock for the long term appears to he the message.

**FT-A All-Share Index**




**Equity Shares Traded**

Turnover by volume (million)
Excl.: Intra-market business & O'seas turnover




Composite insurance group Guardian Royal Exchange traded easier after producing a set of interim figures that, while not as bad as the more bearish analysts had expected, were still poorly received. The shares fell 4 to 220p as investors sold stock steadily, some switching into other composites and a few meeting buyers at the lower levels. Turnover was 6.5m at the close.

Profits for the six months were at the bottom end of market estimates, down more than 10 per cent at £100.1m, and although the interim dividend of 4p was as expected, the £22.5m loss from the Irish operations was particularly disappointing, said analysts. Mr Simon Willis of County NatWest WoodMac has downgraded his forecast for full year earnings at GRE from £235m to £210m and has taken the stock off his buy list.

The GRE figures had little effect on other composites, although there was said to have been some switching into General Accident, up 9 at 1044p, and Royal Insurance, a penny higher at 445p on what dealers said was significant North American buying. Adelaide Steamship, the Australian group run hy Mr John Spalvins, is thought to have been selling the stock recently and its holding is now well below 5 per cent.

Among clearing banks profit-takers moved in, especially in Midland, down 6 at 364p, and NatWest, down 5 at 357p. Standard Chartered dropped 4 to 541p after County NatWest WoodMac issued a sell note on the stock. "The fundamentals are poor and the chance of a bid at a generous price is very overrated," said County.

Bank of Scotland added a penny at 107p on news of the merger between the investment management operations of its merchant bank subsidiary British Linen Bank and Dunedin Fund Managers. Selected merchant banks rose as a chronic shortage of stock helped SG Warburg put on 10 at 425p. The attentions of a single buyer lifted Morgan Grenfell 4 to 329p.

US interest helped Racal Electronics continue to climb. It rose 11 to 234p while Racal Telecom, its 80 per cent owned subsidiary, added 22 to 374p. There were reports that more hrokers might be upgrading profit estimates. Racal easily topped the list of actives on the London Traded Options Market, with contracts worth almost 3m shares changing hands.

Unitech added 13 to 352p following large turnover on Wednesday when nearly 4m shares, representing over 5 per cent of the electronics components manufacturer, changed hands. Analysts believed that Wednesday's buyer was Dr Tito Tettamanti the Swiss financier, who already controlled 8.7 per cent of Unitech.

Following press reports that it might face a bill for a pollution clean up in Cheshire BICC, Britain's largest electrical equipment company, dipped 7 before bouncing back in later trading to close at 549p, down 1. One analyst said the company looked strong but might also be suffering because of worries ahout an economic slowdown next year.

LEC Refrigeration climbed 5 to to 313p on restructuring hopes following indifferent first-half figures last week and, one analyst said, on the market belief that any depressed share is a potential bid target.

A 30-page BZW huy note on Glaxo helped the shares add 15 at 1584p. BZW says margins will improve and is optimistic on the prospects for a stream of products still in the pipeline. It also said dividend will rise and predicted earnings per shares growth of 20 per cent a year for the next five years.

Echoes of Wednesday's talk in New York of a bid for drug company Upjohn helped Fisons firm 10 to 363p. Fisons is regularly mooted as the UK's most likely takeover target in the pharmaceutical sector.

British Aerospace continued to advance on the back of hopes for further jet orders for Japan's defence forces and on the back of the launch of a new engine by car-making subsidiary Rover Group. The shares touched a high of 715p before easing by the close to 713p, a net improvement of 16.

Light end-of-account selling, and in anticipation of interims due on September 5 left Fairey group 6 lower at 209p.

Power transmission and materials handling company Renold firmed 4 to 112p on the back of vague bid talk.

Suggestions, subsequently denied, that Kleinwort Benson has published a buy recommendation on Hawker Siddeley helped the shares climb 19 to 759p. Trading was again brisk in Asda, the enpermarket group, on hopes of an overseas bid. 8.5m of the underlying changed hands, while the stock also featured in the traded options market where a total of 1,105 contracts, worth more than 1m shares, were exchanged.

Other retailers to feature on vague bid talk included Albert Fisher, up 7 at 116p and still benefiting from the recent rerating by Salomon Brothers, the US securities house, and Kwik Save, also 7 better, at 556p. An agency cross of 600,000 shares was sighted in Northern Foods, up 2 at 357p. Kitcat & Aitken, the broker, rates Northern a buy: "As the stock returns to favour, it could be vulnerable to predatory interest and it looks good value on fundamentals at present," said Kitcat.

Manufacturers were in mixed form, Dalgety adding 7 at 415p in thin trade, Ranks Hovis Macdougall shedding a penny at 455p on equally modest turnover, and Acatos & Hutcheson dropping another 2 to 218p on listeria-in-margerine worries.

BAA halted recent falls in the wake of the surprise departure last Friday of its chief executive. The shares ended 2 better at 354p.

Eurotunnel continued falling like stone, amid fears that cost overruns on the Channel tunnel could force a rights issue from the company. One dealer noted selling pressnre from France, where the shares are also quoted. Eurotunnel closed down 63 at 670p.

A story did the rounds that Sir Ron Brierly, the New Zealand entrepreneur, had taken a 3½ per cent stake in Jaguar.The shares climbed 7 to 414p.

Ammunition and fireworks maker Astra Holdings won orders from the US Defence Department worth $17.1m. This takes total orders awarded by the Department in the last four weeks to more than $55m, and the shares firmed 4 to 128p.

A 46 per cent fall in interim profits at financial-services-to-machine-tool mini-conglomerate Bestwood lopped 2 off the price which closed at 37p.

A £62.1m recommended offer by office furniture maker Steelcase Strafor for rival Gordon Russell left the latter 152p up at 454p.

An improvement in interim profits from Pentland Industries did nothing to steady the share price after recent gyrations. They climbed 6 to 89p.

Expedier Leisure's agreed bid for Medminster, offering 59 Expedier shares for every 42 Medminster shares, and valuing each of the latter at 161.2p, at August 29 closing prices, propelled Medminster from 105p to 149p. There is a cash alternative of 147.5p a share. USM-quoted Expedier eased 5 to 107p.

Property group Sheraton Securities followed Wednesday's gains with a further rise of 83p as investors follow the advice of Hoare Govett, the broker which recently marked the shares a buy.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 24

### NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (119). AMERICANS (3) CANADIANS (2) BANKS (2) BREWERS (1) BUILDINGS (3) CHEMICALS (3) STORES (4) ELECTRICALS (17) ENGINEERING (5) FOODS (4) INDUSTRIALS (22) ADT, Abbeycrest, Alfa-Laval AB "B", Assoc. Nursing Servs., Astra AB, BBA, CMB Pack., Do. New, Crean (J), Expamet Intl., Glaxo, Gordon Russell, Halma, Macarthy, Macfarlane, Norfolk House, Parkfield, Russell (A), Serco, Smithkline Beecham A, St. Tomkins, ... (3) MOTORS (1) PROPERTY (3) SOUTH AFRICANS (1) TEXTILES (1) TRANSPORT (4) TRUSTS (29) OILS (4) OVERSEAS TRADERS (1) MINES (3) THIRD MARKET (2).

NEW LOWS (46). BUILDINGS (4) CHEMICALS (1) STORES (5) ELECTRICALS (4) FOODS (1) INDUSTRIALS (7) Surrdene, Derby, Delaney, Dolphin Pack., Triangle Tst., West Inds., Wiltshaw, INSURANCE (1) LEISURE (1) MOTORS (1) PAPERS (1) PROPERTY (3) TEXTILES (3) TRANSPORT (1) TRUSTS (6) OILS (1) MINES (3) THIRD MARKET (1).

## TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

| Stock | Volume 000's | Closing Price | Day's change | Stock | Volume 000's | Closing Price | Day's change | Stock | Volume 000's | Closing Price | Day's change | Stock | Volume 000's | Closing Price | Day's change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ASDA Group | 8,400 | 287 | +2 | Cookson | 981 | 367 | +2 | Legal & General | 558 | 371 | +3 | Royal Insurance | 4,600 | 445 | +1 |
| Abbey National | 5,200 | 148 | −½ | Courtaulds | 590 | 383 | +4 | Lloyds Bank | 496 | 410 | −2 | STC | 433 | 355 | −1 |
| Allied-Lyons | 1,600 | 551 | +2 | Dalgety | 775 | 415 | +7 | LASMO | 1,850 | 527 | +6 | Saatchi & Saatchi | 441 | 310 | −1½ |
| Amstrad | 1,700 | 71 | +1 | Dixons | 1,050 | 168 | | Lonrho | 272 | 307 | −2 | Sainsbury | 879 | 290 | −1½ |
| Argyll Group | 2,500 | 245 | +4 | Eng. China Clays | 315 | 455 | +5 | Lucas | 170 | 680 | −2 | Scott & Newcastle | 2,600 | 276 | +2 |
| Ass. Brit. Foods | 131 | 390 | +1 | Enterprise Oil | 370 | 578 | −1 | MB Group | 695 | 214 | −2 | Sears | 1,600 | 128½ | +1 |
| BAA | 1,400 | 354 | +2 | FKI | 3,000 | 127 | | MEPC | 611 | 585 | | Shell Transport | 2,800 | 430 | +2 |
| BAT Inds. | 1,800 | 823 | −14 | Fisons | 2,000 | 363 | +10 | Marks & Spencer | 1,800 | 217½ | +1½ | Siebe | 420 | 554 | +10 |
| BET | 812 | 312 | −½ | General Accident | 457 | 1044 | +9 | Maxwell Comm. | 288 | 183 | | Slough Ests. | 1,800 | 378 | |
| BICC | 871 | 549 | −1 | General Elec. | 2,400 | 266½ | +½ | Midland Bank | 1,100 | 364 | −6 | Smith & Nephew | 1,600 | 139 | −½ |
| BOC | 151 | 527 | −2 | Glaxo | 792 | 1584 | +15 | Nat. West. Bank | 2,300 | 357 | −5 | SmithKline Beecham | 2,000 | 602 | +3 |
| BPB Inds. | 505 | 242 | −1 | Globe Inv. | 554 | 197½ | | Next | 992 | 136 | +1½ | Smiths Industries | 1,600 | 305 | +2½ |
| BTR | 707 | 476 | −1 | Glynwed Int. | 215 | 312 | −1 | Northern Foods | 1,300 | 354 | +2 | Standard Chartered | 838 | 541 | −4 |
| Barclays | 1,600 | 540 | −2 | Granada | 320 | 358 | +3 | Pearl | 98 | 514 | | Storehouse | 424 | 145 | +1 |
| Bass | 357 | 1079 | +3 | Grand Met. | 1,800 | 629 | +1 | Pearson | 262 | 784 | +3 | Sun Alliance | 763 | 321 | −4 |
| Blue Circle | 3,200 | 239 | | GUS A | 265 | 1190 | +7 | P & O | 204 | 673 | −1 | T&N | 491 | 252 | −2 |
| Boots | 1,100 | 323 | +2 | GRE | 6,500 | 220 | −4 | Pilkington | 1,800 | 260 | +3 | TSB | 551 | 114 | |
| Brit. & Comm. | 448 | 168 | −1 | GKN | 530 | 455 | −1 | Plessey | 1,400 | 266 | | Tarmac | 1,300 | 285 | +7 |
| Brit. Aerospace | 1,700 | 713 | +16 | Guinness | 1,300 | 588 | | Polly Peck Intl. | 6,300 | 315 | +3 | Tate & Lyle | 209 | 280 | +2 |
| British Airways | 7,900 | 188 | −3 | Hammerson "A" | 26 | 794 | | Prudential | 2,000 | 211 | +2 | Taylor Woodrow | 795 | 281 | |
| British Gas | 1,700 | 205½ | +1 | Hanson | 4,100 | 230½ | +½ | RHM | 699 | 455 | −1 | Tesco | 2,500 | 213 | +½ |
| British Land | 355 | 383 | +2 | Harrisons & Cros. | 539 | 176 | +1 | RMC | 368 | 711 | +4 | THORN EMI | 522 | 858 | +12 |
| BP | 2,600 | 303½ | +1 | Hawker Siddeley | 776 | 759 | +19 | RTZ | 2,600 | 557 | +3 | Trafalgar House | 1,900 | 399 | +6 |
| British Steel | 5,800 | 76¼ | −½ | Hillsdown Hldgs | 1,600 | 700 | +3 | Racal | 13,000 | 234 | +11 | Trusthouse Forte | 967 | 341 | |
| British Telecom | 6,600 | 267 | +5 | IMI | 486 | 238 | +1 | Rank Org. | 197 | 933 | | Ultramar | 1,100 | 359 | |
| Burmah Oil | 149 | 653 | +1 | Imp. Chem. | 445 | 1309 | −4 | Reckitt & Colman | 72 | 1347 | | Unilever | 488 | 666 | −3 |
| Burton | 327 | 263 | +1 | Inchcape | 661 | 284 | −2 | Redland | 1,400 | 542 | +7 | United Biscuits | 3,000 | 398 | +10 |
| Cable & Wireless | 2,200 | 569 | −7 | Jaguar | 407 | 414 | +7 | Reed International | 659 | 454 | −1 | Utd. Newspapers | 520 | 501 | +6 |
| Cadbury Schweppes | 1,400 | 413 | −1 | Kingfisher | 784 | 341 | +1 | Reuters | 269 | 973 | +4 | Wellcome | 1,400 | 708 | −2 |
| Carlton Comms. | 1,700 | 888 | +10 | Ladbroke | 4,800 | 329 | +3 | Rolls Royce | 5,800 | 198 | +6½ | Whitbread "A" | 776 | 390 | −1 |
| Commercial Union | 1,100 | 415 | +2 | Land Securities | 663 | 589 | +2 | Rothmans | 316 | 661 | −9 | Williams Hldgs. | 1,700 | 274 | +5 |
| Cons. Gold Fields | 1 | 1480 | | Laporte | 44 | 584 | −3 | Royal Bk of Scotland | 138 | 452 | +1 | Wimpey | 756 | 266 | +6 |

## APPOINTMENTS

### Management changes at Polly Peck

■ POLLY PECK INTERNATIONAL has announced a number of new appointments as part of a reorganisation of its management structure, *writes John Ridding*. Mr Tahsin Karan, a director of company for three years, is appointed chief executive of the leisure division. Mr Norbert Wirsching, previously managing director of Capetronics, the group's largest electronics company, is appointed chief executive of the electronics division. Mr Radar Beshad will be chief executive of the food division and Mr Joe Harris will be chief executive of textiles. Both previously held similar positions on the board.

Mr Mark Ellis, a director of the company for six years, has been appointed director of corporate development, responsible for mergers and acquisitions and regional and international affairs. Mr Timothy Wood is appointed director of investor relations. He was previously divisional finance director at British Home Stores and a director of ANZ Merchant Bank. Mr Peter Compson is appointed director of human resources. He was previously a director of in charge of personnel at the Sedgwick Group.

■ GEEST has appointed Mr Douglas McGrath as managing director – trading, produce sector. He joins from Grand Metropolitan Holdings where he was sales director of Eden Vale.

PROVIDENT FINANCIAL GROUP has appointed Mr Peter Hogg (*above*) its chief executive from September 1. He succeeds Mr Edward Davies who is retiring. Mr Hogg has been deputy managing director for the past five years.

■ Mr John Crabtree, financial controller, has been promoted to finance director of Pentos Retailing Group, a subsidiary of PENTOS. Mr Mark Jenner has been appointed personnel and training director of the retailing group in addition to his role as company secretary of Pentos.

■ FISONS has appointed Dr Peter Woods as director of public affairs from September 11. He is director of health care research at Warburg Securities.

■ Mr Ian Duff has been appointed managing director of LINK INTERNATIONAL SEARCH & SELECTION, part of the Link Organisation.

■ Mr Tony Bowden, managing director and founder of Verta Holdings which has been acquired by HYMAN, Stockport, has been appointed to Hyman's foam division board. He will have responsibility for specialist product development throughout the group's foam operations.

■ In a move to expand overseas sales of its range of RISC-based Archimedes computers and UNIX workstations, ACORN COMPUTERS, Cambridge, has appointed Mr Richard Sumner to the new post of international market development manager. He was independent consultant in information technology, and previously was responsible for establishing Software Arts, which produced VisiCalc, outside the US.

■ Mr Patrick O'Sullivan has been appointed an executive director and general legal counsel of the SCANDINAVIAN BANK GROUP. He joins from Barclays de Zoete Wedd.

■ DEVELOPMEMNTS COMMERCIAL & INDUSTRIAL (HOLDINGS) has appointed Mr Alister W. Coutts as project management and development director. He was project co-ordinator for the Mass Transit Railway Corporation, Hong Kong.

■ BUTLER COX has appointed Mr Andrew Hubbard-Ford as group finance director. He joins from Hutchison Whampoa in Hong Kong, where he was operations director.

Mr John Martin (*above*) has been appointed financial director of NU-WAY, the UK manufacturer of combustion equipment. He succeeds Mr Brian Creed who retires in November after more than 13 years' service with the Droitwich (Worcestershire) company – a major Wolseley Group subsidiary. Mr Martin was previously financial director and company secretary with Clearplas, plastic injection moulders, based in Coventry.

# FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

## AUTHORISED UNIT TRUSTS

## GUIDE TO UNIT TRUST PRICING

**INITIAL CHARGES**
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

**OFFER PRICE**
The price at which units may be bought.

**BID PRICE**
The price at which units may be sold.

**CANCELLATION PRICE**
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

**TIME**
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows. ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

**HISTORIC PRICING**
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

**FORWARD PRICING**
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

**SCHEME PARTICULARS AND REPORTS**
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

# FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

| | Init Chge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **Windsor Trust Mngrs Ltd (1200)F** | | | | | | |
| 83 Kingsway, London WC2B 6SD 01-405 8331 | | | | | | |
| Capital & Equity | 5 | 64.26 | 67.42 | 71.72 | [illegible] | [illegible] |
| European | 5 | 76.64 | 78.93 | 81.85 | +0.4 | 0.07 |
| Far Eastern | 5 | 64.97 | 66.85 | 71.11 | +0.64 | 0.61 |
| Growth Inc | 5 | 90.15 | 93.63 | 99.60 | +0.29 | 1.57 |
| Growth Acc | 5 | 90.15 | 93.63 | 99.60 | +0.29 | 1.57 |
| Income Inc | 5 | 84.78 | 87.18 | 92.74 | -0.07 | 4.38 |
| Income Acc | 5 | 84.88 | 87.20 | 92.85 | -0.06 | 4.58 |
| Property Share | 5 | 35.75 | 35.75 | 39.42 | -0.04 | 0.99 |
| Smaller Co's | 5 | 59.98 | 59.75 | 63.74 | -0.1 | 1.50 |
| Nth American | 5 | 70.22 | 70.72 | 75.30 | +0.59 | 1.46 |
| International | 5 | 50.75 | 50.75 | 54.27 | +0.48 | 0.37 |
| **Wright Seligman Fund Mngrs Ltd (1700)F** | | | | | | |
| 11 Blomfield St, London EC2M 7AY 01-588 0592 | | | | | | |
| Int'l Growth | 5 | 116.34 | 116.34 | 121.38 | — | 0.86 |
| UK Growth | 5 | 95.00 | 95.00 | 100.00 | — | 3.00 |
| UK Income | 5 | 95.00 | 95.00 | 100.00 | — | 4.50 |
| Weekly dealing day Tuesday | | | | | | |
| **The Yorkshire Unit Tst Mngrs Ltd (1100)F** | | | | | | |
| Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250 | | | | | | |
| Yorkshire General | 5¼ | 65.07 | 67.46 | 71.77 | +0.08 | 2.93 |
| YUTM UK Eqty Inc Tst | 5¼ | 62.43 | 64.64 | 68.77 | -0.04 | 3.70 |
| YUTM Intl Gwth Tst | 5¼ | 53.88 | 53.88 | 57.55 | +0.07 | 0.77 |

## OTHER UK UNIT TRUSTS

| | | | | |
|---|---|---|---|---|
| **Baillie Gifford & Co Ltd** | | | | |
| Int'l Expl June 7 | 495.3 | 503.8 | — | — |
| **Cent. Bd. of Fin. of Church of England‡‡** | | | | |
| 2 Fore Street, London EC2Y 5AQ 01-588 1815 | | | | |
| Inv Fund July 31 | | 538.95 | — | 4.55 |
| Fxd Int Sec July 31 | | 142.05 | — | 10.07 |
| Deposit July 31 | | 100.00 | — | 13.25 |
| **Charinco/Charishare‡‡ (1000)F** | | | | |
| 33 King William Street, EC4R 9AS 01-280 2800 | | | | |
| C'inco Inc Aug 30 | 165.6 | 169.9xd | -1.00 | 10.06 |
| C'inco Acc Aug 30 | 696.1 | 714.3xd | +0.80 | 10.06 |
| C'share Inc Aug 30 | 162.4 | 166.5xd | -1.20 | 3.98 |
| C'share Acc Aug 30 | 179.7 | 184.4xd | -0.10 | 3.98 |
| **Charities Official Invest. Fund‡‡** | | | | |
| 2 Fore Street, London EC2Y 5AQ 01-588 1815 | | | | |

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Albany Life Assurance Co Ltd—Contd.** | | | | |
| Smaller Mkts | 137.5 | 144.7 | +0.1 | — |
| UK Metro | 124.4 | 130.9 | -0.1 | — |
| N Am Pn Fd Acc(z) | 278.9 | 293.5 | +4.7 | — |
| Pac Basin Fd Acc(z) | 196.0 | 206.3 | -2.3 | — |
| Property(z) | 607.4 | 639.3 | +2.6 | — |
| Mlple Inv Pen Acc(z) | 1550.7 | 1632.3 | +10.3 | — |
| Broker Funds | | | | |
| Prof. Pen. Fd | 101.8 | 107.1 | +0.4 | — |
| YRA Strategy | 126.2 | 132.8 | -0.1 | — |
| YRA Performance | 108.5 | 114.2 | -0.2 | — |
| Longbow Dollar ($) | 144.2 | 151.7 | +0.4 | — |
| **Allied Dunbar Assurance Plc** | | | | |
| Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514 | | | | |
| Fixed Int. Dep Acc | 265.2 | 279.2 | — | — |
| Equity Acc | 914.0 | 962.2 | -1.4 | — |
| Property Acc | 513.4 | 540.4 | +1.0 | — |
| Far East Acc | 216.0 | 227.4 | +0.4 | — |
| European Acc | 24.8 | 26.2 | -0.2 | — |
| Managed Acc | 715.4 | 753.1 | -0.4 | — |
| Managed Cap | 405.0 | 426.4 | +0.1 | — |
| O'seas Earnings Acc | 609.8 | 641.9 | +0.1 | — |
| Gilt Edged Acc | 323.0 | 340.0 | +1.3 | — |
| American Equity Acc | 496.3 | 522.5 | +1.9 | — |
| American Man Acc | 229.5 | 241.6 | +2.2 | — |
| American Prop Acc | 152.0 | 160.0 | +2.0 | — |
| Pen. F.I. Dep. Cap | 292.8 | 308.3 | +0.1 | — |
| Pen. F.I. Dep. Acc | 505.5 | 532.2 | +0.2 | — |
| Pen. Prop. Cap | 599.4 | 631.0 | +1.0 | — |
| Pen. Prop. Acc | 1142.4 | 1202.6 | +1.3 | — |
| Pen. Man. Cap | 879.5 | 925.8 | +0.2 | — |
| Pen. Man. Acc | 1675.6 | 1763.8 | +4.3 | — |
| Pen. Gilt Edg. Cap | 322.4 | 339.4 | +1.4 | — |
| Pen. Gilt Edg. Acc | 501.8 | 528.3 | +1.6 | — |
| Pen. Eq. Cap | 1457.3 | 1534.1 | +4.0 | — |
| Pen. Eq. Acc | 2104.6 | 2215.4 | +6.1 | — |
| Pen. Am. Eq Cap | 168.6 | 177.5 | +1.7 | — |
| Pen. Am. Eq Acc | 205.2 | 216.0 | +2.1 | — |
| Pen. Far East Cap | 258.4 | 272.1 | +2.8 | — |
| Pen. Far East Acc | 314.6 | 331.2 | +4.4 | — |
| Pen. Euro Cap | 29.6 | 31.2 | — | — |
| Pen. Euro. Acc | 32.4 | 34.2 | +0.1 | — |
| Pen. B.S. Acc | 555.6 | 585.4 | +0.3 | — |
| Pen. B.S. Cap | 330.0 | 347.5 | +0.1 | — |
| Pen. D.A.F. Acc | [illegible] | [illegible] | +0.2 | — |
| Pen. D.A.F. Cap | [illegible] | [illegible] | [illegible] | — |

## INSURANCES

Continued on next page

# FT UNIT TRUST INFORMATION SERVICE

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### Premium Life Assurance Co Ltd

37 - 39, Perrymount Road, Haywards Heath 0444 458721

| | Bid Price | Offer Price | + or − | Yield Gross |
|---|---|---|---|---|
| American | 132.9 | 139.0 | +1.9 | — |
| Building Soc. Fd. | 173.9 | 183.0 | .. | — |
| Balanced | 292.0 | 308.0 | +1.0 | — |
| European | 189.0 | 199.0 | +1.0 | — |
| GT Managed | 190.0 | 200.0 | +1.0 | — |
| Gartmore Mngd | 128.0 | 135.0 | ..... | — |
| German | 136.0 | 144.0 | +1.0 | — |
| Gilt | 183.0 | 193.0 | ..... | — |
| Global | 50.0 | 53.0 | ..... | — |
| High Inc. | 120.0 | 127.0 | ..... | — |
| International Equity | 204.0 | 215.0 | +1.0 | — |
| Japan | 263.0 | 277.0 | −1.0 | — |
| Managed | 64.0 | 68.0 | ..... | — |
| Property | 288.0 | 304.0 | ..... | — |
| R W Imperial Gold | 152.0 | 160.0 | ..... | — |
| UK Equity | 367.0 | 387.0 | ..... | — |
| **Pension Funds** | | | | |
| American | 156.0 | 164.0 | ..... | — |
| Building Soc. Fd | 175.0 | 185.0 | ..... | — |
| Balanced | 227.0 | 239.0 | ..... | — |
| European | 189.0 | 199.0 | ..... | — |
| German | 118.0 | 125.0 | ..... | — |
| Gilt | 158.0 | 167.0 | ..... | — |
| International Equity | 149.0 | 157.0 | ..... | — |
| Japan | 146.0 | 154.0 | ..... | — |
| Managed | 67.9 | 72.0 | ..... | — |
| Property | 221.0 | 233.0 | ..... | — |
| UK Equity | 336.0 | 354.0 | ..... | — |

### Professional Life Assurance Co Ltd

Frobisher Hse, Nelson Gate, Southampton. 0703 232323

| | Bid Price | Offer Price | + or − | Yield Gross |
|---|---|---|---|---|
| Pensions Managed Fund | 97.26 | 102.82 | +0.55 | — |
| Pensions Cash Fund | 79.39 | 83.57 | +0.00 | — |

### Prolific Life & Pensions Ltd

Stramongate, Kendal, Cumbria LA9 4BE 0539 733733

Managed Fund see Balanced Growth Managed Fund

Life Funds

| | Bid Price | Offer Price | + or − | Yield Gross |
|---|---|---|---|---|
| Balanced Grth Mngd. | 629.5 | 663.4 | +4.8 | — |
| Adventurous Mngd. | 136.7 | 144.1 | +1.0 | — |

### Prudential Holborn Pensions Ltd

### Scottish Amicable

### Scandia Life Assurance Co Ltd

### Target Life Assurance Co Ltd

### Noble Lowndes & Partners Ltd

### Rothschild Asset Management

### AEtna Intl Assurance (Bermuda) Ltd

## OFFSHORE AND OVERSEAS

## GUERNSEY (SIB RECOGNISED)

## MANAGEMENT SERVICES

## JERSEY (SIB RECOGNISED)

## IoM (SIB RECOGNISED)

## LUXEMBOURG (SIB RECOGNISED)

## JERSEY (**)

## SWITZERLAND (SIB RECOGNISED)

## GUERNSEY (**)

# FT UNIT TRUST INFORMATION SERVICE

## ISLE OF MAN (**)

## LUXEMBOURG (**)

## OTHER OFFSHORE FUNDS

## OFFSHORE INSURANCES

# LONDON SHARE SERVICE

## BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

## BRITISH FUNDS—Contd

Over Fifteen Years

Undated

Index-Linked

## INT. BANK AND O'SEAS

## CORPORATION LOANS

## COMMONWEALTH & AFRICAN LOANS

## LOANS

| 1989 High | Low | Stock | Price £ | + or – | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| | | **Building Societies** | | | | |
| 99½ | 99 | N'wide Anglia 12½pc 18.9.89 | 99 | ...... | [illegible] | 13.74 |
| 99 | 99 | Do. 12pc 2.10.89 | 99 | ...... | [illegible] | 13.25 |
| 99 | 98 | Do. 11pc 6.11.89 | 99 | ...... | [illegible] | 14.13 |
| 100 | 98 | Do. 12pc 4.12.89 | 99 | ...... | [illegible] | 13.94 |
| 100 | 99 | Do. 12pc 2.1.90 | 99½ | ...... | [illegible] | 13.95 |
| 100½ | 98¾ | Do. 12pc 29.1.90 | 99 | ...... | [illegible] | 13.90 |
| 100 | 98¼ | Do. 12pc 26.2.90 | 99 | ...... | [illegible] | 13.95 |
| 100 | 98 | Do. 12¾pc 19.3.90 | 99 | ...... | [illegible] | 13.90 |
| 100 | 99 | Do. 13½pc 23.4.90 | 99⅝ | ...... | [illegible] | 13.83 |
| 100 | 99 | Do. 13pc 14.5.90 | 99 | ...... | [illegible] | 13.77 |
| 100 | 98 | Do. 13pc 4/6/90 | 99 | ...... | [illegible] | 13.74 |
| 100 | 100 | Do. 14pc 2.7.90 | 100 | ...... | [illegible] | 13.62 |
| 100 | 99 | Do. 13½pc 23.7.90 | 99 | ...... | [illegible] | 13.61 |
| 106¼ | 98½ | Do. 3⅞pcIL Ln 2021 | 105¼ | ...... | [illegible] | 4.40 |
| | | **Public Board and Ind.** | | | | |
| 47 | 45 | Met. Wtr. 3pc 'B' | 46xd | ...... | 6.52 | 10.62 |

## FOREIGN BONDS & RAILS

| 1989 High | Low | Stock | Price £ | + or – | Div % Gross | Red. Yield |
|---|---|---|---|---|---|---|
| 45 | 40 | Greek 7pc Ass. | 40 | ..... | 3.50 | f8.75 |
| 45 | 40 | Do. 6pc 28 Stb. Ass. | 40xd | ..... | 3 | f7.50 |
| 45 | 40 | Do 4pc Mixed Ass. | 40xd | ..... | 2 | f5.00 |
| 80 | 65 | Hung. '24 Ass. | 80 | ..... | 2.75 | f3.57 |
| 139 | 128 | Hydro Quebec 15pc 2011 | 134 | – | 15.00 | 10.86 |
| 128 | 118 | Iceland 14½pc Ln 2016 | 124 | – | 14.50 | 11.48 |
| 97¾ | 91½ | Ireland 9¾pc '91–96 | 92 | –¼ | 9.75 | 11.30 |

## AMERICANS

| Stock | Price | + or – | Div. | C'vr | Gr's Y'ld |
|---|---|---|---|---|---|
| Cont'l Bank Corp $4 | 16¾ | +⅛ | 86c | – | 3.0 |
| Corporate Data Scnce. | 325p | .. | – | – | – |
| Cullinet Sftwr 1c. | 534p | +14 | – | – | – |
| Dana Corp. $1 | 26¼xd | –⅛ | $1.60 | – | 3.9 |
| Data General | 986p | –9 | – | – | – |
| Dun & Bradstreet $1. | 37½ | +⅛ | $2.00 | – | 3.4 |
| Eaton Corpn. 50c | 42½ | +⅛ | h$2.00 | – | 3.0 |
| Echlin Inc. | 10⅛ | ...... | 70c | – | 4.1 |
| FPL Group 1c. | 19⅞xd | ...... | $2.28 | – | 7.3 |

Continued on next page

Gartmore Money Management Ltd—Contd.

| | Bid Price | Offer Price | + or – | Yield Gross |
|---|---|---|---|---|
| Special Fund | 13.70 | – | 14.59 | Mth |
| Dollar | 7.62 | 5.96 | 8.12 | 3-Mth |

# Money Market Bank Accounts

| | Gross | Net | Gr Equiv CAR | Int Cr |
|---|---|---|---|---|
| **Aitken Home** | | | | |
| 30 City Road, EC1Y 2AY | | | 01-638 6070 | |
| Treasury Acc. | 12.10 | 9.78 | 13.52 | Qtr |
| **Allied Trust Bank Ltd** | | | | |
| 97-101 Cannon St, London EC4N 5AD | | | 01-629 6802 | |
| **Bank of Ireland High Interest Cheque Acc** | | | | |
| 36 Queen St EC4R 1BN | | | 01-625 7000 | |
| £10,000+ | 13.049 | 10.250 | 14.201 | Qtr |
| **Bank of Scotland** | | | | |
| 38 Threadneedle St, EC2P 2EH. | | | 01 601 6746 | |
| **Barclays Prime Account** | | | | |
| PO Box 125 Northampton | | | 0604 252891 | |
| £2,500+ | 11.50 | 8.60 | 11.84 | Qtr |
| **Benchmark Bank PLC Premier Account** | | | | |
| 9 Henrietta Place, W1M 9AG. | | | 01-631 3311 | |
| Small Deposits | 9.50 | – | – | – |
| £20,000+ | 13.50 | 10.56 | 14.65 | Qtr |
| **Brown Shipley & Co Ltd** | | | | |
| Founders Court, Lothbury, London EC2 | | | 01-606 9833 | |
| Demand Acc | 12.50 | 9.75 | 13.53 | Qtr |
| **Cater Allen Ltd** | | | | |
| 25 Birchin Lane, London EC3V 9DJ | | | 01-623 2070 | |
| Cater Allen | 12.375 | 9.093 | 13.500 | 3m |

# Money Market Trust Funds

UNIT TRUST NOTES

# LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

## AMERICANS—Contd

| 1989 High | Low | Stock | Price £ | + or – | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 33¼ | 27⅛ | Ford Motor $1 | 33⅝xd | +⅛ | $3.00 | – | 5.6 |
| 37⅛ | 24¼ | Gen. Elect. 63c | 36¼ | ..... | $1.64 | – | 2.8 |
| 575p | 460p | ♦General Host Corp $1 | 557p | –10 | 30c | – | 3.4 |
| 39⅛ | 18¼ | Gillette $1 | 20⅝ | +⅛ | 96c | – | 2.1 |
| 987p | 601p | Gt American Bank Bt $1 | 012p | +3 | 60c | – | 4.7 |
| 21⅞ | 16⅛ | Greyhound $1½ | 23⅞ | +1⅛ | $1.32 | – | 3.5 |
| 14¼ | 847p | Hasbro Inc 50c | 14 | +⅛ | 16c | – | 0.7 |
| 57⅞ | 32¼ | Honeywell $1½ | 56¼xd | +⅛ | $2.10 | – | 2.4 |
| 21½ | 15¼ | Houston Inds. ‖ | 21½ | +⅛ | $2.96 | – | 8.7 |
| 75¼ | 63⅛ | IBM Corpn $1¼ | 74⅛xd | +⅛ | $4.84 | – | 4.1 |
| 60p | 45p | ♦Image Storage/R Sys.1c | 55p | –3 | – | – | – |
| 31⅞ | 18¼ | Ingersoll-Rand $2 | 31⅞xd | +⅛ | $1.20 | – | 2.4 |
| 33⅛ | 22½ | Lockheed Crpn. $1 | 32⅝xd | –⅝ | $1.80 | – | 3.5 |
| 22⅝ | 15⅛ | Lone Star Inds $1 | 20¼xd | –⅛ | $1.90 | – | 5.8 |
| 26⅞ | 17½ | Louisiana Land 15c | 25⅞xd | –⅛ | $1.00 | – | 2.4 |
| 19⅞ | 11½ | Lowe's 50c | 19¼ | +⅛ | 46c | – | 1.5 |
| 26⅞ | 15⅛ | Manuf. Hanover $1 | 25½ | +⅛ | $3.28 | – | 8.1 |
| 22⅝ | 13⅛ | Merrill Lynch $1 | 21⅞ | +⅛ | $1.00 | – | 3.0 |
| 2393p | 1910p | Molex Inc. | 2379p | –2 | 3.2c | – | – |
| 27⅞ | 18⅛ | Morgan (JP) $2½ | 26⅞xd | +⅛ | $1.66 | – | 4.0 |
| 103¼ | 98⅞ | Morris (Philip) | 103¼ | +⅝ | $4.50 | – | 2.7 |
| 54½ | 36⅞ | NYNEX $1 | 50¼ | +⅞ | $4.36 | – | 5.5 |
| 44p | 20p | N'wide Legal Serv.‖ | 24p | ..... | – | – | – |
| 24⅝ | 18¼ | PHH Corp. ‖ | 24⅝ | +⅛ | $1.12 | – | 2.4 |
| 259p | 180p | ♦Pacific Agr ‖ | 100p | ..... | – | – | – |
| 27¼ | 19 | Pacificorp $3¼ | 26xd | +⅛ | $2.76 | – | 6.4 |
| 29½ | 16⅞ | Pacific Telesis 10c | 29⅛ | +½ | $1.88 | – | 6.1 |
| 22⅛ | 15¼ | Pall Corp. 25c | 20⅞ | +⅛ | 48c | – | 1.5 |
| 55⅛ | 39⅞ | Pennzoil 83 1/3c | 54⅛xd | +2⅛ | $3.00 | – | 3.5 |
| 42¼ | 28⅞ | Quaker Oats $5 | 39½ | –⅞ | $1.20 | – | 1.9 |
| 32⅛ | 23½ | Rep NY Corpn $3 | 30⅝xd | +⅛ | $1.28 | – | 2.6 |
| 15¼ | 11⅞ | Rockwell Intl. $1 | 14⅞xd | +⅞ | 78c | – | 3.3 |
| 29 | 21 | Sears Roebuck 75c | 28⅞ | +⅛ | $2.00 | – | – |
| 35½ | 21⅞ | Southwestern Bell $1 | 34⅛ | +⅞ | $2.60 | – | 4.8 |
| 27⅞ | 17⅞ | Sun Co. Inc. $1 | 23⅞xd | +⅛ | $1.80 | – | 4.8 |
| 30⅞ | 22⅞ | TRW Inc. 62½c | 30⅞ | ..... | $1.72 | – | 3.6 |
| 15⅞ | 14⅛ | TW Services $5 | 21⅞ | +⅛ | 10c | – | 0.3 |
| 38⅞ | 26¼ | Tenneco $5 | 38⅝ | ..... | $3.04 | – | 5.0 |
| 35⅞ | 28 | Texaco $6.25 | 31¼xd | +½ | 4$3.00 | – | 6.0 |
| 28⅞ | 21⅞ | Texas Instr. $1 | 25¼xd | +½ | 72c | – | 1.8 |
| 117⅞ | 58⅝ | Time Inc $1 | 87⅞ | +1⅛ | $1.00 | – | 0.7 |
| 18⅞ | 15⅛ | TOINOVA Corp. | 10⅝ | +⅛ | 368c | – | 2.3 |
| 24⅛ | 16 | USX $1 | 22⅞xd | –⅛ | $1.40 | – | 4.0 |
| 152p | 126p | ♦Unitab. | 240p | ..... | – | – | – |
| 35¼ | 22⅛ | Utd. Technologies | 34¼xd | +⅛ | $1.60 | – | 2.9 |
| 158p | 128p | ♦Utilitech Inc. | 149p | ..... | – | – | – |
| 46½ | 31½ | US West‖ | 44⅞ | +⅞ | $3.76 | – | 5.3 |
| 38½ | 22⅝ | Waste Management $1. | 37⅝xd | ..... | 48c | – | 0.8 |
| 20¼ | 13½ | Whirlpool $1 | 20 | +⅛ | $1.10 | – | 3.5 |
| 24⅛ | 16⅞ | Whitman Corp. | 21⅞ | –⅛ | $1.02 | – | 3.0 |
| 44⅛ | 28⅛ | ♦Woolworth $3½ | 44 | –⅛ | $1.88 | – | 2.7 |

## CANADIANS

| 1989 High | Low | Stock | Price £ | + or – | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 168p | 129p | ♦ABM Gold Corp ‖ | 162p | +1 | – | – | – |
| 25½p | 4½p | ♦Abbot Energy Corp. | 25p | ..... | – | – | – |
| 16½ | 902p | ♦Amer. Barrick Res. | 15⅝ | +⅛ | – | – | – |
| 28p | 10½p | ♦Armeno | 11p | –3 | – | – | – |
| | | For Asiamerica see Asiamerica Eq. (Americans) | | | | | |
| 33½p | 8½p | ♦Augmitto Explm. | 19p | ..... | – | – | – |
| 18⅞ | 12⅞ | Bk. Montreal ‖ | 18 | +⅛ | $2.12 | – | 6.4 |
| 10⅞ | 655p | Bk. Nova Scot.‖ | 987pxd | +5 | 92c | – | 5.1 |
| 821p | 599p | ♦BC Gas $1 | 778p | –8 | 60c | – | 4.2 |
| 22⅝ | 17 | BCE ‖ | 22⅛ | ..... | $2.44 | – | 5.4 |
| 848p | 570p | ♦Bow Valley‖ | 723p | –4 | ‡40c | – | 3.0 |
| 17 | 12⅛ | ♦Brascan‖ | 16½ | +⅛ | 88c | – | 2.9 |

## BANKS, HP & LEASING

### Hire Purchase, Leasing, etc.

## BEERS, WINES & SPIRITS

## BUILDING, TIMBER, ROADS

## BUILDING, TIMBER, ROADS—Contd

## CHEMICALS, PLASTICS

## DRAPERY AND STORES

## DRAPERY AND STORES—Contd

## ELECTRICALS

## ENGINEERING

## ENGINEERING—Contd

## FOOD, GROCERIES, ETC

## HOTELS AND CATERERS

## INDUSTRIALS (Miscel.)

## INDUSTRIALS (Miscel.)—Contd

## INDUSTRIALS (Miscel.)—Contd.

## INSURANCES

# LONDON SHARE SERVICE

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## LEISURE

## MOTORS, AIRCRAFT TRADES

### Commercial Vehicles

### Components

### Garages and Distributors

## NEWSPAPERS, PUBLISHERS

## PAPER, PRINTING, ADVERTISING

## PAPER, PRINTING, ADVERTISING — Contd

## PROPERTY

## SHOES AND LEATHER

## SOUTH AFRICANS

## TEXTILES

## TEXTILES — Contd

## TOBACCOS

## TRANSPORT

## TRUSTS, FINANCE, LAND

### Investment Trusts

## TRUSTS, FINANCE, LAND — Contd

### Finance, Land, etc

## OIL AND GAS

## OIL AND GAS — Contd

## OVERSEAS TRADERS

## PLANTATIONS

### Rubbers, Palm Oil

### Teas

## MINES

### Central Rand

### Eastern Rand

### Far West Rand

### O.F.S.

### Diamond and Platinum

### Central African

### Finance

### Australians

### Tins

## MINES — Contd

| 1989 High | 1989 Low | Stock | Price | + or − | Div Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 75 | 38 | Gopeng Berhad M$0.50 | 75 | ...... | †Q10c | 2.0 | 3.0 |
| 84 | 47 | Malaysia Mng. 10c | 70 | ...... | Q5c | 4.0 | 1.6 |
| 180 | 120 | Petaling SM1 | 160 | ...... | Q87c | 1.0 | 12.4 |
| 150 | 90 | Sungei Besi SM1 | 125 | ...... | Q70c | 1.4 | 12.7 |
| ● 90 | 90 | Tanjong 15p | 90 | ...... | — | — | — |

### Miscellaneous

| 1989 High | 1989 Low | Stock | Price | + or − | Div Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 225 | 69 | Anglesey Mining 9p. y | 229 | +2 | — | — | — |
| 146 | 18 | Do Warrants y | 138 | ...... | — | — | — |
| 32½ | 12 | Anglo-Dominion | 19 | +2 | — | — | — |
| 527 | 386 | Bond Intl. Gold | 526 | +6 | — | — | — |
| 64 | 39 | Butte Mining 10p y | 39 | −2 | — | — | — |
| 50 | 24 | ♥Colby Res Corp | 38 | ...... | — | — | — |
| 123 | 83 | Cons. Murch. 10c | 100 | +5 | Q30c | 2.1 | 7.2 |
| 78 | 20 | ♥DRX Inc. | 28 | −2 | — | — | — |
| *27½ | 16½ | ‡Ennex Intl. Ir10p. y | 16½ | −1½ | — | — | — |
| 120 | 108 | Europa Minerals 2p y | 118 | ...... | b1.0 | — | 1.1 |
| 51 | 37½ | ‡Explaura L/V 5p | 44 | ...... | — | — | — |

## THIRD MARKET

| 1989 High | 1989 Low | Stock | Price | + or − | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| 19 | 11 | Tullow Oil 10p y | 15 | −1 | — | — | — | — |
| 113 | 80 | UPL Group 10p y | 80 | ...... | 2.75 | 1.9 | 4.6 | 13.1 |
| 150 | 135 | Unit Group y | 146 | ...... | 5.0 | 3.3 | 4.6 | 8.3 |
| 100 | 66 | Video Magic Leis 1p y | 96 | ...... | W2.0 | 0.7 | 2.8 | 77.0 |
| 14 | 5 | Vista Ents 5p y | 0½ | ...... | — | — | — | — |
| 40 | 34 | Vizcaya Hldgs 5p y | 34 | ...... | — | — | — | — |
| 45½ | 23 | Whitegate Leisure 20p y | 43 | −2 | — | — | — | — |
| 31 | 10 | Do. Wrrnts y | 30 | −1 | — | — | — | — |
| 10¼ | 5 | Wilton Group 1p y | 8 | ...... | — | — | — | — |

## NOTES

Stock Exchange dealing classifications are indicated to the right of security names; α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◊ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♠ Not comparable
- ● Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

Stocks previously listed under Shipping are now included in the Transport sector, as are others heretofore dispersed under several other headings.

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

| Stock | Price | + or − |
|---|---|---|
| Albany Inv 20p y | 96 | −1 |
| Craig & Rose £1 y | 83P | .... |
| Finlay Pkg. 5p y | 88 | .... |
| Holt (Jos) 25p y | 1340 | +10 |

### IRISH

| Stock | Price | + or − |
|---|---|---|
| Cap. 8¼% Ln. 1991 y | £97¼ | .... |
| 9pc Cap Ln. 1996 y | £99 | ...... |
| Fin. 13% 97/02 y | £119 | ...... |
| Arnotts y | 422 | +2 |
| Carroll (P.J.) y | 160 | −2 |
| Hall (R. & H.) y | 175 | +5 |
| Heiton Hldgs y | 93 | +1 |
| Irish Ropes y | 215 | +3 |
| United Drug y | 148 | ...... |

## TRADITIONAL OPTIONS

3-month call rates

### Industrials

| Stock | p |
|---|---|
| Allied-Lyons y | 38 |
| Amstrad y | 11 |
| BAT y | 60 |
| BOC Grp. y | 42 |
| BSR y | 6½ |
| BTR y | 52 |
| Barclays y | 42 |
| Blue Circle y | 24 |
| Boots y | 25 |
| Bowaters y | 44 |
| Brit Aerospace y | 52 |
| British Steel y | 7½ |
| Brit. Telecom y | 21 |
| Burton Ord. y | 10 |
| Cadburys y | 46 |
| Charter Cons y | 48 |
| Comm Union y | 31 |
| Courtaulds y | 30 |
| FKI y | 14 |
| FNFC y | 22 |
| Gen Accident y | 85 |
| GEC y | 20 |
| Glaxo y | 110 |
| Grand Met y | 48 |
| GUS 'A' y | 90 |
| Guardian y | 15 |
| GKN y | 34 |
| Hanson y | 16 |
| Hawker Sidd. y | 60 |
| ICI y | 100 |
| Jaguar y | 28 |
| Ladbroke y | 20 |
| Legal & Gen. y | 25 |
| Lex Service y | 33 |
| Lloyds Bank y | 29 |
| Lucas Inds y | 58 |
| Marks & Spencer y | 15 |
| Midland Bk y | 30 |
| Morgan Grenfell y | 24 |
| Nat West Bk y | 25 |
| P & O Dfd y | 55 |
| Plessey y | 22 |
| Polly Peck y | 26 |
| Racal Elect y | 20 |
| RMC y | 42 |
| Rank Org Ord y | 80 |
| Reed Intnl y | 34 |
| STC y | 32 |
| Sears y | 10 |
| Smithkline Bchm. A y | 50 |
| TI y | 39 |
| TSB y | 10 |
| Tesco y | 14 |
| Thorn EMI y | 58 |
| Trust Houses y | 24 |
| T&N y | 18 |
| Unilever y | 46 |
| Vickers y | 18 |
| Wellcome y | 42 |

### Property

| Stock | p |
|---|---|
| Brit Land y | 32 |
| Land Securities y | 52 |
| MEPC y | 50 |
| Randsworth y | 23 |

### Oils

| Stock | p |
|---|---|
| Brit Petroleum y | 21 |
| Burmah Oil y | 50 |
| Calor y | 35 |
| Charterhall y | 2½ |
| Premier y | 9 |
| Shell y | 32 |
| Ultramar y | 26 |

### Mines

| Stock | p |
|---|---|
| Cons Gold y | 150 |
| Lonrho y | 33 |
| RTZ y | 40 |

# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIFN EXCHANGES

# Dollar waits for jobs data

THE DOLLAR finished slightly firmer on the day hut below its hest levels. Trading volume was extremely low, partly because of the time of the year - regarded as the quietist spart from the Christmas period - hut also hecause of the proximity of a long weekend in the US, with centres closed on Monday because of Lahor Day. Activity was also suhdued ahead of the release today of US employment data. Most analysts expect the figures to show a rise in unemployment to 5.3 per cent in August from 5.2 per cent in July while the rise in non-farm payroll employment is expected to be just 68,000 compared with a 169,000 rise in July.

These figures, if suhstantiated, would provide a sharp contrast to recent data suggesting that the US economy shows signs of stronger than expected growth. Against this background of uncertainty and the lack of trading volume, the dollar found difficulty in maintaining a level above DM1.9600 and finished at DM1.9575, still up from DM1.9465 on Wednesday.

The dollar Y144.45 compared with Y143.10 and elsewhere at SFr1.6880 from SFr1.6775 and FFr6.5975 compared with FFr6.5525. On Bank of England figures, the dollar's exchange rate index closed at 71.6 from 71.0 on Wednesday.

US factory orders fell hy 1.7 per cent in July compared with a 0.6 per cent rise in June. Most analysts had heen looking for a rise of 0.1 per cent. Despite the unexpected fall, there was little reaction as most traders were content to square positions ahead of the long weekend.

Sterling lost ground against the dollar hut was little changed elsewhere. Its exchange rate index closed at 91.5, unchanged from the opening and down slightly from Wednesday's close of 91.6. The pound remained underpinned hy the attraction of high interest rates. There are no economic statistics due for release for the next 10 days hut overseas investors continued to have faith in the pound on the basis that rates - in the market's view - are likely to maintain current levels or move higher before the end of the year; the prospect of lower rates is regarded as insignificant.

The pound closed at $1.5735 from $1.5825 hut was unchanged at DM3.0800 and Y227.50. Elsewhere, it finished at SFr2.6575 from SFr2.6550 and FFr10.3825 compared with FFr10.3700.

The D-Mark edged up slightly against the French franc to FFr3.3705 from FFr3.3670. Much of the rise reflected an initial reaction to US factory orders, hut the franc retains a hullish undertone. The rise in the Bundesbank's money market Treasury hill rates has failed to have any effect for the time being. There are however, fears that a further dollar appreciation may prompt the West German authorities to consider another rise in leading interest rates.

### £ IN NEW YORK

| Aug.31 | Latest | Previous Close |
|---|---|---|
| £ Spot | 1.5710-1.5720 | 1.5825-1.5835 |
| 1 month | 0.63-0.62pm | 0.63-0.62pm |
| 3 months | 1.90-1.86pm | 1.90-1.86pm |
| 12 months | 6.28-6.18pm | 6.28-6.18pm |

Forward premiums and discounts apply to the US dollar

### STERLING INDEX

[illegible]

### CURRENCY RATES

[illegible]

### CURRENCY MOVEMENTS

[illegible]

### OTHER CURRENCIES

| | £ | $ |
|---|---|---|
| KoreaWon | 1050.40-1058.90 | 666.50-671.90 |
| Kuwait | 0.47200-0.47300 | 0.29940-0.29990 |
| Luxembourg | 64.30-64.40 | 40.85-40.95 |
| Malaysia | 4.2270-4.2460 | 2.6910-2.6950 |
| Mexico | 4003.50-4013.35 | 2550.00-2565.00 |
| N. Zealand | 2.6385-2.6460 | 1.6805-1.6835 |
| Saudi Ar. | 5.9135-5.9175 | 3.7500-3.7510 |
| Singapore | 3.0940-3.1000 | 1.9665-1.9685 |
| S Af (Cm) | 4.3535-4.3645 | 2.7650-2.7680 |
| S Af (Fn) | 6.4605-6.5935 | 4.1065-4.1930 |
| Taiwan | 40.30-40.35 | 25.65-25.66 |
| U.A.E. | 5.7905-5.7945 | 3.6720-3.6730 |

*Selling rate

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu central rates | Currency amounts against Ecu Aug.31 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 42.4582 | 43.4397 | +2.31 | +1.08 | ±1.5424 |
| Danish Krone | 7.85212 | 0.06916 | +2.76 | +1.53 | ±1.6419 |
| German D-Mark | 2.05853 | 2.07729 | +0.91 | -0.32 | ±1.1019 |
| French Franc | 6.90403 | 6.99899 | +1.43 | +0.20 | ±1.3719 |
| Dutch Guilder | 2.31943 | 2.34133 | +0.94 | -0.29 | ±1.5019 |
| Irish Punt | 0.768411 | 0.778295 | +1.29 | +0.06 | ±1.6689 |
| Italian Lira | 1483.58 | 1490.60 | +0.47 | -0.15 | ±4.0815 |
| Spanish Peseta | 133.804 | 129.946 | -2.88 | - | - |

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

### POUND SPOT- FORWARD AGAINST THE POUND

[illegible]

### DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

### EURO-CURRENCY INTEREST RATES

[illegible]

### EXCHANGE CROSS RATES

| Aug.31 | £ | $ | DM | Yen | F Fr. | S Fr. | H Fl. | Lira | C $ | B Fr. |
|---|---|---|---|---|---|---|---|---|---|---|
| £ | 1 | 1.574 | 3.080 | 227.5 | 10.38 | 2.658 | 3.473 | 2211 | 1.950 | 64.35 |
| $ | 0.635 | 1 | 1.957 | 144.5 | 6.595 | 1.689 | 2.206 | 1405 | 1.175 | 40.88 |
| DM | 0.325 | 0.511 | 1 | 73.86 | 3.370 | 0.863 | 1.128 | 717.9 | 0.601 | 20.89 |
| YEN | 4.396 | 6.919 | 13.54 | 1000. | 45.63 | 11.60 | 15.27 | 9719 | 8.132 | 282.9 |
| F Fr. | 0.963 | 1.516 | 2.967 | 219.2 | 10. | 2.561 | 3.346 | 2130 | 1.782 | 61.99 |
| S Fr. | 0.376 | 0.592 | 1.159 | 85.59 | 3.905 | 1 | 1.307 | 831.8 | 0.696 | 24.21 |
| H Fl. | 0.288 | 0.453 | 0.887 | 65.51 | 2.989 | 0.765 | 1 | 636.6 | 0.533 | 18.53 |
| Lira | 0.452 | 0.712 | 1.393 | 102.9 | 4.695 | 1.202 | 1.571 | 1000. | 0.837 | 29.10 |
| C $ | 0.541 | 0.851 | 1.665 | 123.0 | 5.611 | 1.437 | 1.877 | 1195 | 1 | 34.78 |
| B Fr. | 1.554 | 2.446 | 4.786 | 353.5 | 16.13 | 4.131 | 5.397 | 3436 | 2.875 | 100. |

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

## MONEY MARKETS

# Credit stays tight

CREDIT CONDITIONS were tight on the London money market yesterday, with overnight money holding around the 14 per cent level. In recent weeks the Bank of England has been keen to underline the present level of base rates, hy keeping overnight money firm, but yesterday's rise in the level at which the authorities hought hills in the market appeared to be purely technical.

Dealers said that the fact the central hank hought Treasury and bank bills at 13⅝ per cent - against an accepted intervention rate of 13¾ per cent - was not a signal of upward pressure on bank base rates. It was generally agreed that the Bank of England was happy to deal at this rate, because it underlined the desire of the authorities to prevent wholesale rates falling significantly below hase rates. But at the same time the Bank of England is ohliged to huy hills at the lowest available rate and in this case at least one discount house appeared to be prepared to sell hills below the normal rate.

Any decision to offer bills to the authorities at this rate was purely a technical matter however, involving trading operations, and should not be interpreted as a move towards higher core interest rates.

The important three-month sterling interbank rate closed unchanged at 14-13⅞ per cent.

The Bank of England initially forecast a money market credit shortage of £750m, but revised this to £600m at noon and to £450m in the afternoon. Total help of £483m was provided.

Before lunch the authorities hought £200m hank hills in band 1 at 13⅝ per cent. In the afternoon another £163m bills were bought, hy way of £4m Treasury hills in band 1 at 13⅝ per cent and £159m bank hills in band 1 at 13⅝ per cent. Late assistance of around £120m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £816m, with Exchequer transactions absorbing £10m and a rise in the note circulation £30m. These factors offset bank balances above target of £100m.

In New York the US Federal Reserve drained funds from the hanking system through overnight matched sale and repurchase agreements, when Federal funds were trading at 8¾ per cent.

The move was not unexpected, with the Fed facing a technical need to reduce liquidity at present, while it was also suggested that the central bank regards the funds rate of 8⅞ per cent as too far below its believed target of 9 per cent.

**UK clearing bank base lending rate 14 per cent from May 24**

## FINANCIAL FUTURES

# Short sterling below support

THE SHORT end of the sterling credit markets were depressed hy news that British Telecom had offered a 9 per cent pay deal to some of its staff. Fears grew that this offer, hy Britain's largest private sector employer, will be seen as the lower level for pay settlements in the Autumn pay round.

According to GNI, a large trader on Liffe, it suggests that any concerted attack on inflation will be accompanied by a sharp reduction in corporate profitability and possibly higher unemployment, resulting in a recession.

December short sterling fell through support at 86.59 on Liffe, to a low of 86.51, before closing at 86.52, compared with 86.62 previously. Traders noted that the contract has bounced off this support point several times recently, but that yesterday's hreach could send it down quickly to 86.40.

Market volume was quite active, at over 17,000 lots for December delivery, probably reflecting stop loss selling after the contract had fallen through the support level.

Long gilt futures also showed a softer tone, with December again the most active month. It opened at the day's high of 95-29 and closed at the low of 95-17, against 96-02 on Wednesday.

### LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100%

| Strike Price | Calls-settlements Dec | Calls-settlements Mar | Puts-settlements Dec | Puts-settlements Mar |
|---|---|---|---|---|
| 92 | 3-46 | 4-44 | 0-12 | 0-22 |
| 93 | 2-56 | 3-56 | 0-22 | 0-34 |
| 94 | 2-08 | 3-09 | 0-38 | 0-51 |
| 95 | 1-32 | 2-31 | 0-62 | 1-09 |
| 96 | 0-63 | 1-58 | 1-29 | 1-36 |
| 97 | 0-40 | 1-28 | 2-06 | 2-06 |
| 98 | 0-13 | 1-03 | 2-53 | 2-45 |

Estimated volume total, Calls 1067 Puts 586
Previous day's open int. Calls 4698 Puts 2560

### LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100%

| Strike Price | Calls-settlements Dec | Calls-settlements Mar | Puts-settlements Dec | Puts-settlements Mar |
|---|---|---|---|---|
| 93 | 4-03 | 4-35 | 0-35 | 1-11 |
| 94 | 3-19 | 3-57 | 0-51 | 1-33 |
| 95 | 2-39 | 3-18 | 1-07 | 1-58 |
| 96 | 2-00 | 2-47 | 1-32 | 2-23 |
| 97 | 1-33 | 2-17 | 2-01 | 2-57 |
| 98 | 1-06 | 1-54 | 2-38 | 3-30 |
| 99 | 0-49 | 1-31 | 3-17 | 4-07 |

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 1158 Puts 1614

### LIFFE BUND FUTURES OPTIONS DM250,000 points of 100%

| Strike Price | Calls-settlements Dec | Calls-settlements Mar | Puts-settlements Dec | Puts-settlements Mar |
|---|---|---|---|---|
| 9300 | 1.56 | 1.84 | 0.24 | 0.50 |
| 9350 | 1.19 | 1.51 | 0.37 | 0.67 |
| 9400 | 0.88 | 1.22 | 0.56 | 0.88 |
| 9450 | 0.61 | 0.96 | 0.79 | 1.12 |
| 9500 | 0.42 | 0.74 | 1.10 | 1.40 |
| 9550 | 0.27 | 0.57 | 1.45 | 1.73 |
| 9600 | 0.17 | 0.42 | 1.85 | 2.08 |

Estimated volume total, Calls 128 Puts 490
Previous day's open int. Calls 5085 Puts 3702

### LIFFE £/$ OPTIONS £25,000 (cents per £1)

| Strike Price | Calls-settlements Sep | Calls-settlements Oct | Puts-settlements Sep | Puts-settlements Oct |
|---|---|---|---|---|
| 140 | 17.15 | — | 0.00 | — |
| 145 | 12.15 | 12.15 | 0.01 | 0.20 |
| 150 | 7.15 | 7.15 | 0.17 | 0.84 |
| 155 | 2.47 | 3.69 | 1.16 | 2.45 |
| 160 | 0.77 | 1.55 | 3.96 | 5.31 |
| 165 | 0.11 | 0.52 | 8.30 | 9.28 |
| 170 | 0.01 | 0.13 | 13.20 | 13.89 |

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 230 Puts 17

### LIFFE EURODOLLAR OPTIONS $1m points of 100%

| Strike Price | Calls-settlements Sep | Calls-settlements Dec | Puts-settlements Sep | Puts-settlements Dec |
|---|---|---|---|---|
| 9050 | 0.65 | 0.93 | 0.01 | 0.10 |
| 9075 | 0.41 | 0.73 | 0.02 | 0.15 |
| 9100 | 0.19 | 0.55 | 0.05 | 0.22 |
| 9125 | 0.04 | 0.39 | 0.15 | 0.31 |
| 9150 | 0.02 | 0.25 | 0.38 | 0.42 |
| 9175 | 0.01 | 0.18 | 0.62 | 0.60 |
| 9200 | 0.00 | 0.12 | 0.86 | 0.79 |

Estimated volume total, Calls 101 Puts 150
Previous day's open int. Calls 6176 Puts 6755

### LIFFE SHORT STERLING OPTIONS £500,000 points of 100%

| Strike Price | Calls-settlements Sep | Calls-settlements Dec | Puts-settlements Sep | Puts-settlements Dec |
|---|---|---|---|---|
| 8550 | 0.57 | 1.08 | 0.01 | 0.06 |
| 8575 | 0.33 | 0.86 | 0.02 | 0.09 |
| 8600 | 0.13 | 0.67 | 0.07 | 0.15 |
| 8625 | 0.03 | 0.49 | 0.22 | 0.22 |
| 8650 | 0.01 | 0.34 | 0.45 | 0.32 |
| 8675 | 0.00 | 0.23 | 0.69 | 0.46 |
| 8700 | 0.00 | 0.16 | 0.94 | 0.64 |

Estimated volume total, Calls 2764 Puts 1648
Previous day's open int. Calls 41039 Puts 26084

### LONDON (LIFFE)

#### 20-YEAR 9% NOTIONAL GILT £50,000 32nds of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Sep | 96-15 | 95-25 | 95-14 | 95-30 |
| Dec | 95-17 | 95-29 | 95-17 | 96-02 |

Estimated volume 14962 (7827)
Previous day's open int. 30319 (30170)

[illegible]

#### POUND-$ (FOREIGN EXCHANGE)

| Spot | 1-mth. | 3-mth. | 6-mth. | 12-mth. |
|---|---|---|---|---|
| 1.5735 | 1.5672 | 1.5546 | 1.5377 | 1.5100 |

#### IMM-STERLING $s per £

| | Latest | High | Low | Prev. |
|---|---|---|---|---|
| Sep | 1.5688 | 1.5694 | 1.5654 | 1.5850 |
| Dec | 1.5508 | 1.5508 | 1.5466 | 1.5664 |
| Mar | - | - | 1.5360 | 1.5382 |

### CHICAGO

#### U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

| | Latest | High | Low | Prev. |
|---|---|---|---|---|
| Sep | 96-15 | 96-20 | 96-05 | 96-12 |
| Dec | 96-15 | 96-15 | 96-07 | 96-12 |
| Mar | 96-10 | 96-14 | 96-04 | 96-07 |
| Jun | 96-05 | 96-05 | 96-00 | 95-31 |
| Sep | 95-28 | 95-28 | 95-24 | 95-23 |
| Dec | 95-21 | 95-21 | 95-21 | 95-16 |
| Mar | 95-14 | 95-14 | 95-14 | 95-09 |

[illegible]

#### JAPANESE YEN (IMM) Y12.5m $ per Y100

| | Latest | High | Low | Prev. |
|---|---|---|---|---|
| Sep | 0.6927 | 0.6932 | 0.6920 | 0.6944 |
| Dec | 0.6985 | 0.6990 | 0.6977 | 0.7003 |
| Mar | - | - | 0.7048 | 0.7060 |
| Jun | - | - | 0.7105 | 0.7119 |

[illegible]

## FT LONDON INTERBANK FIXING

| (11.00 a.m. Aug.31) 3 months US dollars | | 6 months US Dollars | |
|---|---|---|---|
| bid 8¾ | offer 9 | bid 8¾ | offer 9 |

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

## MONEY RATES

**NEW YORK** (Lunchtime)

| | |
|---|---|
| Prime rate | 10½ |
| Broker loan rate | 10 |
| Fed. funds | 8¾ |
| Fed. funds at intervention | - |

**Treasury Bills and Bonds**

| | | | |
|---|---|---|---|
| One month | 8.26 | Three year | 8.33 |
| Two month | 7.67 | Four year | 8.31 |
| Three month | 8.13 | Five year | 8.26 |
| Six month | 8.20 | Seven year | 8.27 |
| One year | 8.28 | 10-year | 8.23 |
| Two year | 8.37 | 30-year | 8.18 |

| Aug.31 | Overnight | One Month | Two Months | Three Months | Six Months | Lombard Intervention |
|---|---|---|---|---|---|---|
| Frankfurt | 6.00-6.25 | 6.90-7.05 | 6.90-7.05 | 6.95-7.10 | 6.95-7.15 | 7.00 |
| Paris | 8⅞-8⅝ | 8⅞-9⅛ | 9-9⅛ | 9⅛-9⅜ | 9⅛-9⅜ | 0.75 |
| Zurich | 6⅛-6⅜ | 7⅛-7¼ | - | 7⅛-7¼ | - | - |
| Amsterdam | 7.20-7.30 | 7.28-7.38 | - | 7.38-7.40 | - | - |
| Tokyo | 5⅛-5⅜ | 5⅞-5⅞ | - | 5⅞-5⅞ | - | - |
| Milan | 12¼-12½ | 12½-13 | - | 12½-13 | - | - |
| Brussels | 6.20 | 8⅞-8⅞ | - | 8½-8⅝ | - | - |
| Dublin | 9⅝-9⅞ | 9¾-10 | 10-10¼ | 10¼-10½ | 10⅜-10⅝ | - |

## LONDON MONEY RATES

| Aug.31 | Overnight | 7 days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Interbank Offer | 14¼ | 14½ | 14 | 14 | 13⅞ | 13⅝ |
| Interbank Bid | 13¾ | 13¾ | 13⅞ | 13⅞ | 13⅞ | 13½ |
| Sterling CDs | - | - | 13⅞ | 13⅞ | 13⅞ | 13⅝ |
| Local Authority Deps. | 13¾ | 13¾ | 13⅞ | 13¾ | 13⅞ | 13⅝ |
| Local Authority Bonds | - | - | - | - | - | - |
| Discount Mkt Deps. | 14 | 13⅞ | 13⅝ | 13½ | - | - |
| Company Deposits | - | - | 14 | 13⅞ | 14⅛ | 13½ |
| Finance House Deposits | - | - | 13⅞ | 13⅞ | 13⅞ | 13½ |
| Treasury Bills (Buy) | - | - | 13⅝ | 13⅞ | - | - |
| Bank Bills (Buy) | - | - | 13⅝ | 13½ | 13 | - |
| Fine Trade Bills (Buy) | - | - | 14⅛ | 14⅛ | 13⅞ | - |
| Dollar CDs | - | - | 8.95 | 8.90 | 8.90 | 8.85 |
| SDR Linked Dep Offer | - | - | 8⅜ | 8⅜ | 8⅜ | 8¼ |
| SDR Linked Dep Bid | - | - | 8⅛ | 8⅛ | 8⅛ | 8 |
| ECU Linked Dep Offer | - | - | 9½ | 9⅝ | 9⅝ | 9⅝ |
| ECU Linked Dep Bid | - | - | 9⅜ | 9⅜ | 9⅜ | 9⅜ |

Treasury Bills (sell): one-month 13⅝ per cent; three months 13½ per cent; Bank Bills (sell): one-month 13⅝ per cent; three months 13⅝ per cent; Treasury Bills; Average tender rate of discount 13.3492 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day August 31, 1989. Agreed rates for period September 26 to October 24, 1989, Scheme I: 14.76 p.c., Schemes II & III: 15.16 p.c. Reference rate for period August 1 to August 31, 1989, Scheme IV&V: 13.880 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14 from September 1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 9½ per cent; one-three months 11 per cent; three-six months 11 per cent; six-nine months 11 per cent; nine-twelve months 11 per cent; Under £100,000 9½ per cent from December 1, 1988. Deposits withdrawn for cash 3 per cent.

## BASE LENDING RATES

[illegible]

## EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 55,633

A=Ask B=Bid C=Call P=Put



## GRANVILLE SPONSORED SECURITIES

[illegible]

Granville & Co. Limited, 77 Mansell Street, London E1 8AF, Telephone 01-488 1212, Member of TSA

Granville Davies Limited, 77 Mansell Street, London E1 8AF, Telephone 01-488 1212, Member of the Stock Exchange & TSA

**LG INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD**
Tel: 01-828 7233/5699 An AFBD member Reuters Code: IGIN, IGIO

| FT 30 | FTSE 100 | WALL STREET |
|---|---|---|
| Aug. 1975/1983 +10 | Sep. 2393/2403 +13 | Sep. 2728/2740 N/C |
| Sep. 1980/1989 +10 | Dec. 2436/2446 +14 | Oct. 2744/2756 N/C |

Prices taken at 5pm and change is from previous close at 9pm

JOTTER PAD

## CROSSWORD

No.7,026 Set by GRIFFIN

ACROSS

1 Banker has met doctor (6)
4 Approaching agreement, retire for a drink (8)
10 Service book showing noise during test (7)
11 Engaged person to take time and money (7)
12 If ever you get a key in time (4)
13 Wipe out educated old boy (7)
15 International bankers slip-ping gems on (6)
16 A tough leader on a cycle is stranded (7)
20 Set staggered in front of wealthy bird (7)
21 Specify "including acceptable figure" (6)
24 Top area of growth? (4,6)
26 Engineers in empty truck making long journey (4)
28 Ivan rudely rejected each flavour (7)
29 The drink a bird starts with is port (7)
30 Cut up by ruddy note found in cabin (8)
31 American assumes nude dancing is new (6)

DOWN

1 Finished nothing, admitted being unqualified (8)
2 Two union leaders in ACAS do, I recollected, get impudent (9)
3 It flies sailors into the centre of Greece (4)
5 Call in about fine for trespass (8)
6 From now on Ron the chef cooked (10)
7 Accountant, not off before midnight, enters dance (5)
8 Chunks of string found in mixed spice (6)
9 Head gardener left to order artichokes may be (5)
14 Bore with broken leg gets into bed dirty (10)
17 Aunt stirs trouble for mad-ists (9)
18 Make bitter expert consider including bottle opener (8)
19 Pack some bananas, Jack (8)
22 Against including various rides and trips (6)
23 Stop patient swallowing final dose (5)
25 Ought Wren to tip the proprietor? (5)
27 Roll up, the last cartoon's beginning (4)

Solution to Puzzle No.7,025

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| A | U | T | R | G | I | R | O | | A | S | C | E | N | T |
| B | | A | | A | | R | | | | H | | V | | O |
| D | E | R | A | R | I | U | S | | P | I | G | E | O | N |
| U | | G | | B | | N | | A | | N | | R | | E |
| C | R | E | D | O | | R | E | L | I | G | H | T | E | D |
| T | | R | | | | U | | A | | U | | | | E |
| | H | I | C | C | U | P | | S | T | A | M | I | N | A |
| C | | N | | H | | | | | | R | | T | | F |
| A | T | E | L | I | E | R | | M | A | D | R | I | D | |
| P | | | | P | | A | | E | | | | N | | S |
| S | E | N | H | O | R | I | T | A | | S | L | E | E | T |
| I | | A | | L | | L | | S | | I | | R | | A |
| Z | O | D | I | A | C | | Q | U | A | N | D | A | R | Y |
| E | | I | | T | | | | R | | E | | N | | E |
| S | C | R | E | A | M | | S | E | A | W | A | T | E | R |

# WORLD STOCK MARKETS

## CANADA

TORONTO

*4pm prices August 31*

MONTREAL

4pm prices August 31

Total Sales 7,225,878 shares.

## INDICES

### NEW YORK DOW JONES

| | Aug 31 | Aug 30 | Aug 29 | Aug 28 | 1989 High | 1989 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|---|
| ♦Industrials | 2737.27 | 2728.15 | 2726.63 | 2743.36 | 2743.36 (28/8) | 2144.64 (3/1) | 2743.36 (28/8/89) | 41.22 (2/7/32) |
| Home Bonds | 93.05 | 93.12 | 93.16 | 93.00 | 94.15 (2/8) | 87.35 (23/3) | – | – |
| Transport | 1509.42 | 1529.52 | 1506.58 | 1492.89 | 1529.52 (30/8) | 959.95 (3/1) | 1529.52 (30/8/89) | 12.32 (8/7/32) |
| Utilities | 217.30 | 217.05 | 217.74 | 218.94 | 221.64 (8/8) | 181.84 (24/2) | 227.83 (22/1/87) | 10.50 (8/4/32) |

♦Day's High 2744.68 (2753.61) Low 2717.90 (2705.36)

| STANDARD AND POOR'S | Aug 31 | Aug 30 | Aug 29 | Aug 28 | 1989 High | 1989 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|---|
| Composite ‡ | 352.45 | 350.65 | 349.84 | 352.09 | 352.09 (28/8) | 275.32 (3/1) | 352.09 (28/8/89) | 4.40 (1/6/32) |
| Industrials (Latest) | 402.85 | 401.92 | 401.06 | 403.53 | 403.53 (28/8) | 318.66 (3/11) | 403.53 (28/8/89) | 3.62 (21/6/32) |
| Financial | 33.26 | 33.19 | 33.16 | 33.44 | 33.59 (7/8) | 24.30 (3/1) | 33.59 (7/8/89) | 8.64 (1/10/74) |
| NYSE Composite | 195.27 | 194.92 | 194.47 | 195.45 | 195.45 (28/8) | 154.98 (3/1) | 195.45 (28/8/89) | 4.46 (25/4/42) |
| Amer Mkt. Value | 382.19 | 381.58 | 380.94 | 380.67 | 382.24 (10/8) | 305.24 (3/1) | 382.24 (10/8/89) | 29.31 (9/12/72) |
| NASDAQ Composite | 469.33 | 468.27 | 466.57 | 467.19 | 469.33 (31/8) | 378.56 (3/1) | 469.33 (31/8/89) | 54.87 (31/10/72) |

| | Aug 18 | Aug 11 | Aug 4 | year ago (approx.) |
|---|---|---|---|---|
| Dow Industrial Div. Yield | 3.44 | 3.43 | 3.41 | 3.79 |
| | Aug 30 | Aug 23 | Aug 16 | year ago (approx.) |
| S & P Industrial div. yield | 2.83 | 2.88 | 2.87 | 3.30 |
| S & P Indl. P/E ratio | 14.67 | 14.40 | 14.44 | 13.57 |

TRADING ACTIVITY † Volume

| Millions | Aug 31 | Aug 30 | Aug 29 |
|---|---|---|---|
| New York | 144.896 | 174.350 | 177.367 |
| Amex | 13.069 | 14.545 | 18.097 |
| OTC | (u) | 121.701 | 128.612 |

| NEW YORK | Aug 31 | Aug 30 | Aug 29 |
|---|---|---|---|
| Issues Traded | 1,967 | 1,957 | 1,957 |
| Rises | 780 | 795 | 614 |
| Falls | 655 | 646 | 859 |
| Unchanged | 532 | 516 | 484 |
| New Highs | 80 | 100 | 107 |
| New Lows | 12 | 11 | 14 |

### CANADA

| TORONTO | Aug 31 | Aug 30 | Aug 29 | Aug 28 | 1989 High | 1989 Low |
|---|---|---|---|---|---|---|
| Metals & Minerals | 3911.5 | 3910.8 | 3885.3 | 3801.8 | 3911.5 (31/8) | 3207.5 (3/1) |
| Composite | 4010.2 | 4009.1 | 3991.4 | 3968.1 | 4019.7 (10/8) | 3350.5 (6/1) |
| MONTREAL Portfolio | 2046.71 | 2048.74 | 2037.59 | 2023.23 | 2048.74 (30/8) | 1677.48 (3/1) |

### NEW YORK ACTIVE STOCKS

| Thursday | Stocks traded | Closing price | Change on day | | Stocks traded | Closing price | Change on day |
|---|---|---|---|---|---|---|---|
| AMR Corp | 3,737,300 | 88 | − 5 | Reebok Intl | 2,160,100 | 16 | + 1½ |
| Union Carbide | 3,568,400 | 31⅛ | + 1½ | Chrysler | 1,563,100 | 26⅛ | + ⅛ |
| Fst Intr A | 2,715,100 | 2⅛ | + ½ | Coca Cola Ent. | 1,485,200 | 16¼ | − ¼ |
| Gen Motors | 2,508,400 | 49 | + ¾ | Texaco | 1,408,000 | 50⅝ | + ¼ |
| Upjohn | 2,470,400 | 39⅛ | − 2 | Ford Motor | 1,336,700 | 53⅞ | + ⅞ |

Base values of all Indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

| | Aug. 31 | Aug. 30 | Aug. 29 | Aug. 28 | 1989 High | 1989 Low |
|---|---|---|---|---|---|---|
| **AUSTRALIA** | | | | | | |
| All Ordinaries (1/1/80) | 1763.2 | 1781.2 | 1781.8 | 1770.9 | 1781.8 (29/8) | 1422.9 (7/4) |
| All Mining (1/1/80) | 858.2 | 871.0 | 875.1 | 867.0 | 875.1 (29/8) | 652.6 (7/4) |
| **AUSTRIA** | | | | | | |
| Credit Aktien (30/12/84) | 429.52 | 438.04 | 430.89 | 422.19 | 438.04 (30/8) | 219.5 (2/1) |
| **BELGIUM** | | | | | | |
| Brussels SE (1/1/80) | 6490.81 | 6494.96 | 6511.07 | 6510.77 | 6511.07 (29/8) | 5519.30 (4/1) |
| **DENMARK** | | | | | | |
| Copenhagen SE (3/1/83) | 334.99 | 334.61 | 337.61 | 339.05 | 356.65 (12/7) | 275.49 (27/2) |
| **FINLAND** | | | | | | |
| Unitas General (1975) | 771.1 | 772.3 | 771.8 | 778.5 | 815.8 (18/4) | 723.3 (4/1) |
| **FRANCE** | | | | | | |
| CAC General (31/12/82) | 523.0 | 520.8 | 520.8 | 523.2 | 523.2 (28/8) | 427.9 (4/1) |
| Ind. Tendance (30/12/88) | 125.1 | 123.3 | 123.4 | 123.7 | 125.1 (31/8) | 97.5 (27/2) |
| **GERMANY** | | | | | | |
| FAZ Aktien (31/12/58) | 659.7 | 656.70 | 658.50 | 658.28 | 664.22 (10/8) | 535.73 (27/2) |
| Commerzbank (1/12/53) | 1975.3 | 1966.1 | 1971.4 | 1978.9 | 1990.1 (10/8) | 1595.7 (27/2) |
| DAX (30/12/87) | 1597.85 | 1585.98 | 1597.24 | 1595.87 | 1609.93 (10/8) | 1271.70 (23/2) |
| **HONG KONG** | | | | | | |
| Hang Seng Bank (31/7/64) | 2508.57 | 2505.40 | 2487.94 | (c) | 3309.64 (15/5) | 2093.61 (5/6) |
| **ITALY** | | | | | | |
| Banca Com. Ital. (1972) | 734.84 | 730.73 | 731.43 | 732.48 | 734.84 (31/8) | 577.49 (28/2) |
| **JAPAN** | | | | | | |
| Nikkei (16/5/49) | 34431.20 | 34471.66 | 34687.65 | 34607.4 | 35140.83 (21/8) | 30183.79 (5/1) |
| Tokyo SE (Topix) (4/1/68) | 2603.38 | 2607.07 | 2615.63 | 2610.29 | 2659.08 (21/8) | 2366.91 (6/1) |
| **NETHERLANDS** | | | | | | |
| CBS Tll.Rtn.Gen.(End 1983) | 264.6 | 263.6 | 261.7 | 262.5 | 266.2 (17/8) | 208.3 (3/1) |
| CBS All Shr (End 1983) | 205.1 | 204.4 | 202.9 | 203.5 | 207.0 (17/8) | 166.7 (1/3) |
| **NORWAY** | | | | | | |
| Oslo SE (2/1/83) | 679.36 | 677.47 | 672.16 | 668.09 | 679.36 (31/8) | 467.17 (2/1) |
| **SINGAPORE** | | | | | | |
| Straits Times Ind. (30/12/66) | 1356.01 | 1350.21 | 1342.54 | 1345.96 | 1387.01 (21/8) | 1030.69 (4/1) |
| **SOUTH AFRICA** | | | | | | |
| JSE Gold (28/9/78) | 1592.0♦ | 1606.0 | 1594.0 | 1600.0 | 1685.0 (3/8) | 1291.0 (15/2) |
| JSE Industrial (28/9/78) | 2824.0♦ | 2824.0 | 2820.0 | 2829.0 | 2838.0 (25/8) | 1961.0 (3/1) |
| **SPAIN** | | | | | | |
| Madrid SE (30/12/85) | 320.18 | 320.73 | 322.51 | 322.40 | 322.51 (29/8) | 268.61 (1/3) |
| **SWEDEN** | | | | | | |
| Jacobson & P. (31/12/56) | 4582.3 | 4562.1 | 4570.5 | 4598.9 | 4660.3 (16/8) | 3533.9 (3/1) |
| **SWITZERLAND** | | | | | | |
| Swiss Bank Ind. (31/12/58) | 816.4 | 810.7 | 821.7 | 825.8 | 825.8 (28/8) | 613.1 (3/1) |
| **WORLD** | | | | | | |
| M.S. Capital Intl. (1/1/70) | (u) | 537.7 | 537.2 | 536.4 | 551.2 (3/8) | 487.6 (13/6) |

♦ Subject to official recalculation.

Base values of all Indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

### TOKYO - Most Active Stocks

Thursday August 31 1989

| | Stocks Traded | Closing Prices | Change on day | | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|---|---|---|---|
| Nippon Steel | 29.2m | 793 | -6 | Daikyo | 19.7m | 4,600 | +70 |
| Kawasaki Steel | 17.3m | 840 | -17 | Daimaru | 9.5m | 1,640 | +80 |
| Keisei Railways | 15.5m | 2,820 | +219 | Sumitomo Metal | 7.6m | 763 | -11 |
| Taiyo Kobe Bank | 11.8m | 1,970 | +40 | Sony | 7.0m | 8,750 | -30 |
| NKK | 11.2m | 770 | -19 | MHI | 6.9m | 1,140 | 9 |



## AMEX COMPOSITE PRICES

*4pm prices August 31*

*4pm prices August 31*

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 12 Month High | 12 Month Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| | | – A – A – A – | | | | | | | | |
| 34⅞ | 21¼ | AAR | .44 | 1.3 | 22 | 70 | 34⅞ | 34⅛ | 34⅞ | + ¼ |
| 10⅛ | 8⅛ | ACM n | 1.01 | 11 | | 219 | 9⅛ | 8⅞ | 9⅛ | – ⅛ |
| 11⅞ | 10⅛ | ACMIn | 1.26a | 11 | | 380 | 11⅛ | 11½ | 11⅛ | |
| 10⅛ | 8½ | ACM M | n1.01 | 11. | | 236 | 9¼ | 9⅛ | 9⅛ | |
| 11½ | 10 | ACM Sc | 1.26 | 11. | | 878 | 11⅛ | 11⅛ | 11⅛ | |
| 9⅝ | 8⅞ | ACMSp | 1.01 | 11. | | 291 | 9⅛ | 9⅛ | 9½ | |
| 16 | 10⅞ | AL Lab | .12 | .8 | 17 | 155 | 15⅛ | 15⅞ | 15⅛ | + ⅛ |
| 4⅛ | 3¼ | AMC4 | .12e | 3.2 | 25 | 5 | 3⅞ | 3⅞ | 3⅞ | – ⅛ |
| 6⅛ | 4½ | AM Intl | | | | 651 | 5⅛ | 5⅛ | 5⅛ | + ⅛ |
| 23½ | 20⅞ | AM In pf | 2 | 9.6 | | 9 | 22⅞ | 22⅛ | 22⅞ | |
| 95 | 40⅞ | AMR | | | 10 | 37313 | 68⅞ | 65⅞ | 67⅞ | – 5⅛ |
| 7½ | 3⅛ | ARX | | | | 166 | 4⅛ | 4⅛ | 4⅛ | |
| 44⅛ | 35½ | ASA | 3a | 7.0 | | 257 | 42⅞ | 42½ | 42⅞ | – ⅛ |
| 23⅛ | 15⅛ | AVX | .24 | 1.2 | 9 | 1484 | 20⅞ | 19⅞ | 20 | + ⅛ |
| 66 | 44¼ | AbtLab | 1.46 | 2.2 | 10 | 2714 | 63⅛ | 62 | 62⅞ | + ¼ |
| 18⅛ | 16⅞ | Abitibi g | 1 | | | 21 | 15⅞ | 15 | 15⅞ | |
| 13 | 7½ | AcmeC | .40 | 3.6 | | 7 | 11⅛ | 11 | 11 | – ⅛ |
| 9⅛ | 5⅞ | AcmeE | .32 | 6.4 | 11 | 48 | 9½ | 9⅛ | 9½ | + ⅛ |
| 34⅞ | 20¼ | Acuson | | | 24 | 62 | 33⅞ | 20⅞ | 33⅞ | |
| 16⅞ | 14⅛ | AdaEx | 1.82e | 11. | | 67 | 10⅛ | 16½ | 16½ | – ⅛ |
| 11⅞ | 6½ | Adobe | | | | 572 | u12 | 11⅞ | 12 | + ⅞ |
| 18⅛ | 16½ | Adob pf | 1.84 | 9.1 | | 166 | 19⅞ | 10⅛ | 16⅞ | + ⅛ |
| 21⅞ | 19⅞ | Adob pf | 2.40 | 11. | | 24 | 21⅛ | 20⅞ | 21⅛ | – ⅛ |
| 11⅞ | 7⅛ | AMD | | | | 3415 | 8⅞ | 0⅛ | 8⅞ | + ⅛ |
| 29 | 29⅞ | AMD pf | 3 | 9.6 | | 5 | 31⅛ | 31⅛ | 31⅛ | + ⅛ |
| 10⅛ | 6⅛ | Advest | .12 | 1.4 | 15 | 275 | 9 | 8⅞ | 8⅞ | – ⅛ |
| 66¼ | 46 | AetnLf | 2.76 | 4.8 | 8 | 1468 | 58⅞ | 57½ | 58 | + ½ |
| 14 | 12⅞ | AfilPb | | | | 478 | 13⅞ | 13⅞ | 13⅞ | |
| 23⅛ | 14⅞ | Ahmans | .80 | 3.9 | 11 | 1458 | 22⅛ | 21⅞ | 22⅛ | + ⅛ |
| 4⅛ | 2¼ | Aileen | | | | 205 | 2⅛ | 2⅞ | 2⅛ | + ⅛ |
| 48⅞ | 37¼ | AirPrd | 1.32 | 2.1 | 12 | 1904 | 49⅛ | 47⅛ | 48⅛ | + ⅛ |
| 37¼ | 16¼ | AirbFrt | .60 | 1.8 | 34 | 862 | u37⅛ | 25⅛ | 37¼ | + ¼ |
| 25¼ | 13⅞ | Airgas | | | 14 | 35 | 23 | 23⅛ | 23 | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |


Continued on Page 41

# NYSE COMPOSITE PRICES

Continued from previous Page

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 6⅛ | 5⅝ | PruRI | .68 | 11. | | 61 | 6½ | 6⅜ | 6⅜ | – ⅛ |
| 9¾ | 8⅞ | PruStr | 1.05a | 12. | | 667 | 8⅝ | 8½ | 8½ | – ⅛ |
| 25 | 19¾ | PSvCol | 2 | 8.0 | 13 | 878 | 25 | 24⅞ | 24⅞ | + ⅛ |
| 23⅞ | 20½ | PSCol pf2.10 | | 9.3 | | 6 | 22⅝ | 22⅝ | 22⅝ | – ⅛ |
| 13⅝ | 10½ | PSIn pfB1.04 | | 8.5 | | z30 | 12⅛ | 12⅛ | 12⅛ | – ⅛ |
| 6½ | 3½ | vjPSNH | | | 41 | 400 | 4⅛ | 4 | 4⅛ | + ⅛ |
| 17¼ | 6 | vjPSNH pf | | | | z3100 | 15⅝ | 15⅝ | 15⅝ | – ⅝ |
| 17⅛ | 6¾ | vjPNH pfB | | | | 32 | 16⅝ | 16¼ | 16¼ | |
| 19⅝ | 6⅝ | vjPNH pfC | | | | 12 | 18¾ | 18½ | 18½ | – ½ |
| 18⅜ | 7 | vjPNH pfD | | | | 1 | 17½ | 17½ | 17½ | + ⅛ |
| 18 | 6⅛ | vjPNH pfF | | | | 18 | 18⅞ | 16⅞ | 16⅞ | – ⅛ |
| 17⅞ | 6½ | vjPNH pfG | | | | 16 | 17½ | 17¼ | 17⅜ | |
| 16⅞ | 10¾ | PSvNM | .38j | – | | 453 | 14⅞ | 14⅝ | 14⅝ | – ⅛ |
| 29½ | 22 | PSEG | 2.04 | 7.5 | 10 | 1089 | 27⅜ | 27⅛ | 27¼ | + ⅛ |
| 48⅛ | 40¾ | PSEG pf4.08 | | 9.0 | | z20 | 46⅛ | 46⅛ | 46⅛ | |
| 58¾ | 49⅝ | PSEG pf5.90 | | 9.0 | | z70 | 58⅛ | 58⅛ | 58⅛ | |
| 60¼ | 51½ | PSEG pf5.28 | | 8.8 | | z5020 | 60¼ | 60⅛ | 60⅛ | – ⅛ |
| 60⅝ | 75⅝ | PSEG pf7.80 | | 9.0 | | z250 | 86½ | 86½ | 86⅝ | |
| 5⅜ | 2 | Publick | | | | 101 | 2⅝ | 2½ | 2½ | – ⅛ |
| 52¼ | 39¼ | PR Cem | .65e | 1.3 | 5 | 14 | 49⅞ | 49¾ | 49¾ | – ⅛ |
| 22⅛ | 18 | PugetP | 1.76 | 8.2 | 10 | 456 | 21⅞ | 21½ | 21½ | |
| 8⅞ | 7½ | PHICB | .86 | 11. | | 99 | 7⅞ | 7⅞ | 7⅞ | + ⅛ |
| 10⅝ | 9⅝ | PHYM | n.05e | .5 | | 109 | 10⅛ | 10 | 10⅛ | – |
| 9⅝ | 8⅝ | PIGIT | 1.01 | 11. | | 697 | 9¼ | 9⅛ | 9⅛ | – ⅛ |
| 10¼ | 9⅞ | PMMI | n.34e | 3.4 | | 346 | 10 | 9⅞ | 9⅞ | – ⅛ |
| 9½ | 8⅞ | PMIIT | 1.03a | 12. | | 649 | 9 | 8⅞ | 8⅞ | – ⅛ |
| 9⅝ | 6¾ | PMIT | 1.10a | 12. | | 599 | 9⅞ | 9¾ | 9¾ | |
| 9⅝ | 8⅞ | PPrIT | 1.14 | 12. | | 1989 | 9½ | 9⅜ | 9½ | + ⅛ |
| 10⅞ | 6 | QMS | | | | 276 | 10⅛ | 9⅞ | 9⅞ | + ⅛ |
| 1⅞ | 5-16 | Qantel | | | | 52 | ½ | ⅝ | ½ | – 1-16 |
| 68⅞ | 49½ | QuakrO | 1.20 | 1.9 | 34 | 1864 | 63 | 62¼ | 62½ | |
| 21¼ | 14½ | QuakSC | .80 | 5.0 | 24 | 909 | 16⅛ | 15 | 15 | |
| 16 | 12½ | Quanex | .32 | 1.9 | 7 | 145 | 16¾ | 16⅛ | 16⅜ | + ⅛ |
| 31¼ | 25⅞ | Quanx pf2.25 | | 8.1 | | 201 | 28 | 28 | 28 | |
| 59½ | 37⅞ | Quantm | 3 | 6.5 | 8 | 1318 | 46¼ | 45⅞ | 46 | – ⅛ |
| 12¼ | 10⅛ | QstVl | 1.20e | 9.5 | | 395 | 12⅝ | 12½ | 12⅝ | – ⅛ |
| 13 | 7¾ | QstVC | | | | 825 | 12¾ | 12½ | 12¾ | + ⅛ |

[illegible]

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 29⅛ | 20⅞ | SoestBk | 1.12 | | | | | | | |
| 28⅛ | 20½ | SouthCo | 2.14 | | | | | | | |
| [illegible] | | | | | | | | | | |

Sales figures are unofficial.Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid is preceding 12 months.g-dividend is Canadian funds, subject to 15% non-residence tax. i-dividend declared after spilt-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months,plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales infull. yld-yield. z-sales in full.



# OVER-THE-COUNTER

Nasdaq national market, 3pm prices August 31

| Stock | Div. | Sales 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |
| WiserO | .40 | 44 95 | 17 | 16⅞ | 17 | + ⅛ |
| Wolohn | .28 | 9 33 | 17¼ | 17¼ | 17¼ | – ½ |
| WlvEx n | | 1487 | 8⅝ | 8½ | 8⅝ | + ¼ |
| Worthg | .56 | 15 6030 | 25¼ | 23⅛ | 23⅞ | – ¼ |
| Wyman | .60 | 182 361 | 16½ | 16¼ | 16¼ | – ¼ |
| – X – Y – Z – | | | | | | |
| XL Data | | 18 186 | 23¾ | 22½ | 23 | – ¼ |
| XOMA | | 535 | 20½ | 33 | 29¼ | |
| Xicor | | 9 1060 | 6½ | 6 | 6 | – ⅛ |
| YelowF | .78 | 11 1530 | 31¼ | 31 | 31⅛ | |
| ZionUt | 1.44 | 17 | 29½ | 29¼ | 29¼ | – 1 |
| Zycad | | 258 | 2⅞ | 2¾ | 2⅞ | |

AMERICA

# Dow drifts in wait for jobs figures

## Wall Street

EQUITIES drifted aimlessly yesterday morning as traders waited for the release of the August employment data, *writes Koren Zagor in New York.*

At 2 pm, the Dow Jones Industrial Average was down 1.14 at 2,727.01.

Volume on the New York Stock Exchange was moderately thin, with fewer than 100m shares changing hands by early afternoon.

Neither the stock nor the bond market was moved by the factory goods orders data for July, although the figures were lower than expected. July's factory goods orders fell 1.7 per cent, well below the forecast fall of 0.6 to 0.7 per cent. Durable goods orders were revised 0.3 per cent lower to a decline of 2.2 per cent.

Markets are placing more weight on today's release of August employment data. Analysts expect the non-farm payroll to rise by sbout 60,000. Any growth above 100,000 or below 50,000 could cause a jolt.

In the bond market at midday, the Treasury's bellwether 30-year bond was down $\frac{1}{32}$ point at 99¾, yielding 8.18 per cent. The Federal Reserve drained reserves by arranging overnight matched sala-purchase agreements when Fed Funds were trading at 8$\frac{11}{16}$ per cent.

The dollar was strong in early New York trading, with employment figures expected to confirm the good health of the US economy. At midday, the dollar was Y144.55 and DM1.9570.

Transportation issues, which had riseo sharply all week, fell throughout morning trading. At 1 pm, the Dow Jones Transportation Index, which set all-time highs in each of the previous five sessions, slipped 24.72 to 1,504.80.

The decline, like the earlier rise, was led by the airline sector. Shares plummeted after a report said that the Department of Transportation was concerned about the high level of debt and foreign ownership in recent airline industry takeovers.

AMR, the parent of American Airlines which had been the subject of persistent takeover rumours, plunged $4¾ to $87¾.

UAL, parent of United Airlines, shares of which had risen sharply since receiving a $275-a-share takeover offar, dropped $6¼ to $273.

Texas Air, parent of troubled Eastern Airlines, which last week said it would consider selling its Continental Airlines subsidiary, lost $1⅞ to $19¾ on the American Stock Exchange.

Coca-Cola Enterprises, the biggest bottler of the aoft drink, plunged $1 to $16¼ after the company said it expected 1989 earnings to be well below analysts' forecasts and the previous year's level. Coca-Cola, which has a 48 per cent staka in the company, fell $⅛ to $55⅛.

Gap Inc gained $1¼ to $52¼ after the company reported a 25 per cent increase in this month's sales from August of last year. May Department Stores slid $½ to $51⅞ in spite of a 16.6 per cent sales improvement over a year earlier.

Reebok International jumped $1¼ to $15⅞ after an analyst at Kidder Peabody increased the investment rating on the stock to "strong buy."

## Canada

PROFIT-TAKING drove Toronto lower by midsession, following recent strong gains. The gold index declined, losing 65 to 6,234.9, undermined by weaker spot gold prices.

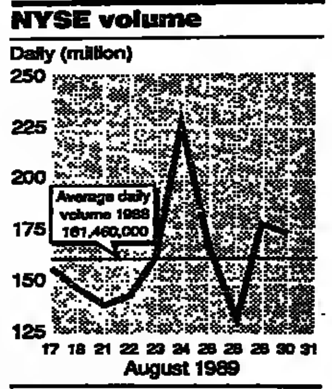
The composite index eased 6.5 to 4,002.6, with daclines leading advances by 248 to 216 on volume of 21.7m shares.

Canadian Pacific shed C$⅜ to C$27¾, after climbing for most of the week. Pagurian rose C$¼ to C$8½ and Nova gained C$¼ to C$9⅜.

Placer Dome lost C$½ to C$18⅞, following a general decline by gold stocks.

Total Petroleum rose C$⅛ to C$28½, while Coho dropped C$¼ to C$5¼.

NYSE volume




# A wind of caution prevails in Amsterdam

## Forthcoming elections have made Dutch waters more choppy, writes Laura Raun

THE AMSTERDAM Stock Exchange is treating next week's Dutch elections as a chance to trim its sails. The prevailing wind is one of caution before the September 6 polling date.

Market sentiment generally favours the view that the Christian Democrats will remain the largest party and seek a coalition with the right-of-centre Liberals, their ruling partners for the past seven years. Failing that, the Christian Democrats will forge a left-of-centre coalition, probably headed by Mr Ruud Lubbers, the current Prime Minister, with the Labour Party.

Foreign investors, who have fuelled much of this year's 24 per ceot rise on the CBS General index, are surprisingly serene about the prospect of a left-of-centre or right-of-centre coalition, as long as the pragmatic Mr Lubbers is prime minister, according to Dutch bankers and analysts. In that case, the bourse could climb by a further 5 to 10 per cent by the end of the year, they say.

Few market players believe that Mr Wim Kok, the Labour Party leader, will get the chance to head a coalition. However, if he did become prime minister, the market might drop by 5 to 10 per cent instead, according to Mr Fokko Tuin, chief analyst at Kempen & Co.

Public opinion polls show a race too close to call. The Christian Democrats and Liberals would lose their governing majority in Parliament by a slim, one-seat margin, according to the most recent opinion poll. The Christian Democrats would win 53 seats and the Socialists 52.

Doubts have been raised about whether the market has understood the situation correctly.

Many Dutch bankers and brokers are advising investors to sit tight and do nothing until after the election – although a few are urging clients to sell. Some uncertainty will continue after next Wednesday, because of the intricate wheeling and dealing required to weld a coalition together.

No single party in the Netherlands is big enough to rule alone, so all governments are coalitions. Mr Lubbers' coalition collspsed last May, forcing early elections and provoking a sharp but short dip in the market.

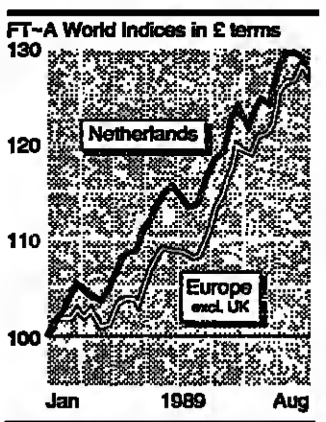
Once the election is over and some clarity emerges, the market is expected to resume its climb by the end of the year.

On August 17, the CBS General index soared to a record high of 207, fuelled by sound fundamentals and the upward trend in markets worldwide. Good corporate earnings and a promising macroeconomic out look are considered more important than the political uncertainty and Mr Tuin says that profits of the most actively traded Dutch companies will rise by between 16 and 17 per cent on average this year, slowing a bit to 10 per cent next year.

Gross national product is forecast to expand by a robust 4 per cent in 1989 while inflation remains enviably low at 1 per cent.

Given these favourable trade winds, the Flying Dutchman seems eager to set sail again.

FT-A World Indices in £ terms




**DUTCH stocks edged higher in moderate volume, helped by a firmer dollar, although election nervousness remained. The CBS tendency index added 0.4 to 192.1 in turnover worth Fl 800m, and the all-share index rose 0.7 to 205.1.**

**Philipa remained strongly traded, helped again by US buying. It gained 50 cents to Fl 43.30.**

**Transport stock Nedlloyd rose Fl 2.80 to Fl 88, making up ground from recent falls which had followed news of its rights issue. Aircraft maker Fokker gained Fl 1 to Fl 47 on a newspaper report of a large order from a US airline.**

SOUTH AFRICA

**GOLD shares eased in Johannesburg after Thursday's rises, as the bullion price fell. Vaal Reefs lost R8.50 to R316.50.**

ASIA PACIFIC

# Mood deteriorates further as interest rate fears grow

## Tokyo

INTEREST rate worries crept into the market yesterday and darkened a mood already clouded by the weakness of the yen, and gloomy forecasts of short-term earnings prospects, *writes Michiyo Nakamoto in Tokyo.*

After a firm start, supported by interest in special situation stocks, share prices slipped as investors saw what was happening in the money markets. The Nikkei average fell 226 to a low of 34,244.43 before closing down 40.46 at 34,431.20. The day's high was at 34,615.54.

Declines led advances by 552 to 375 while 179 issues were unchanged. Turnover, however, increased to 658.21m shares from the 518.58m traded on Wednesday. The Topix index of all listed shares lost 3.69 to 2,603.38. In London, the ISE/50 Nikkei index fell 0.48 to 2,035.92.

Investors were not ready to forget Wednesday's reports that leading steel companies would, in all likelihood, see earnings turn down in the near future. In a market which had been lacking in direction and which had relied on good earnings news to generate much of its buying, bearish reports on business prospects can have a jolting effect.

To make matters worse, the yen has been weak against the dollar, and interest rates have not shown signs of settling down as the optimists had forecast.

Under these circumstances, it was not surprising that the heavily capitalised steels and shipbuilding issues came under substantial selling pressure. As on Wednesday, Nippon Steel topped the most actives list with 29.2m shares traded, and lost Y8 to Y798. Kawasaki Steel came second with 17.3m shares and dropped Y17 to Y840. NKK declined Y10 to Y770.

Interest was focused on special situation stocks. Keisei Railways was actively pursued and surged Y210 to Y2,820. It was third in volume terms with 15.5m shares changing hands.

The recently announced merger plan between Mitsui Bank and Taiyo Kobe Bank triggered interest in issues which could also be involved in mergers and acquisitions. The merger of Taiyo Kobe, up Y40 at Y1,970 in active trading, and Mitsui, down Y120 at Y2,460, is planned for next April. Taiyo Kobe attracted attention because its price is considered low in relation to Mitsui's.

Issues with good earnings continued to attract attention. Fanuc, the top maker of numerically-controlled equipment for machine tools, surged Y750 to Y7,400. The company is expected to post a double digit rise in recurring profit for the current business term to March. A rumour that the company would make a free share issue also sparked widespread buying, although the company later denied it.

Nichii, the fifth largest supermarket chain in Japan, rose Y120 to a record high of Y3,150 in morning trading. Investors favoured the company's plan to build large shopping centres at a time when regulations on the building of large stores are likely to be eased. Nichii closed up Y80 to Y3,120.

In Osaka, losses in heavily-capitalised issues pulled the OSE average down by 255.46 to 34,676.81. Volume, however, almost doubled to 77.59m shares from the 39.65m traded on Wednesday.

Mori Seiki, a maker of machine tools, advanced Y190 to a record high of Y4,290 in active trading. Interest was sparked by expectations that the company would post record recurring profits in the business year to March for the first time in eight years.

## Roundup

A STEEP fall in Australia was the main event in Asia Pacific markets, while there was heavy trading in South Korea and Singapore.

AUSTRALIA suffered a sharp correction after its rise to a spate of post-crash highs, with the All Ordinaries index falling 18 to 1,763.2 and industrial and resources stocks taking the brunt of selling.

It was the steepest correction the market has seen for two months – it has risen 16 per cent since the end of June – and was attributed to nervousness about the new heights reached and to a lack of direction from Wall Street. Turnover was a heavy 207m shares worth A$319m.

In the industrial sector, property group Lend Lease dropped 30 cents to A$12.70 after announcing 15 per cent higher annual profits in line with expectations. News Corp lost 30 cents to A$18.30 and BHP 15 cents to A$12.50.

Amcor, the paper and packaging company, shed 10 cents to A$4.98 after reporting a 34 per cent rise in after-tax operating profits.

Bond Corp lost a further 8 cents to 47 cents in turnover of 3.5m shares on allegations concerning the Bond group's dealings with the Western Australian government. The stock was at A$1.87 at the start of the year.

Ariadne Australia, an investment company that was badly hit by the 1987 market crash, rose 2 cents to 17 cents after news that Brierley Investments had built a 10.2 per cent stake.

Transport stocks were depressed by the pilots' industrial action, and TNT lost 22 cents to A$3.60 while Brambles fell 40 cents to A$14.

SINGAPORE rose for a second day, although late profit-taking knocked it off its highs. The Straits Times Industrial index added 5.60 to 1,356.01 and volume was much heavier than on the previous two days, rising to 81.4m shares.

Genting rose 25 cents to S$6.40 following its strong half-year results, while Isetan, the retailer, was up 10 cents at S$6.85, also after reporting higher profits.

HONG KONG ended little changed in continued thin trading, with the Hang Seng index up 3.17 at 2,508.57 and turnover falling to HK$477m from Wednesday's HK$506m.

SOUTH KOREA fell back in heavy turnover, led by some blue chips which were hit by a government decision not to lower bank interest rates or devalue artificially the currency to help boost the economy. The composite index shed 8.25 to 975.28.

TAIWAN bounced back from Wednesday's sharp fall, but in lower volume, and the weighted index gained 111.76 to 9,924.30.

EUROPE

# Company news gives bourses bounce

ENCOURAGING corporate news and persistent speculation pushed most bourses higher, although there was profit-taking in some markets that have enjoyed spectacular runs, *writes Our Markets Staff.*

MILAN rose again, but found reason to regret aspects of its recent family-based approach to share selection, which has kept Agnelli and De Benedetti stocks in the public eye.

The focus on Agnelli still paid off. Sustained demand for Fiat lifted it by L37 to L12,042 at the close (L12,110 in the aftermarket) and spread to financial holdings including IFIL, IFI and Fidis, all of which put in strong performances in heavy trading. The Comit index closed 4.11 higher at 734.84.

But in the De Benedetti stable, heavy selling depressed Cir, the holding company, which fell L90 to L6,300 and slipped to L6,250 after hours.

The reason emerged at high noon, as the Olivetti subsidiary of Cir reported a 40 per cent drop in first half profits. The shares fell L138 to L9,382 despite a forecast that profits would be maintained for the full year.

Elsewhere, speculative buying pushed Standa and Rinascente higher for the second consecutive day, on rumours that the two retailers are negotiating an allisnce of sorts. Standa, controlled by Mr Silvio Berlusconi, rose L990 to L32,590 while Rinascente, yet another member of the Agnelli group, added L228 at L7,328.

PARIS bounced up in heavy turnover with options-related trading and a shortage of sellers driving some shares sharply higher. The OMF 50 index rose 5.67 to 524.11 and the CAC General index, based on opening prices, was up 2.2 at 523.0.

Volume was estimated at FFr3bn, higher than Wednesday's FFr2.6bn.

Perrier was one of the strongest movers, rising FFr93, or 5.6 per cent, to FFr1,741 in active turnover on renewed takeover speculation. Exor, which owns about one-third of Perrier, climbed FFr77 to FFr1,540.

Groupe Victoire gained FFr120, or 6.7 per cent, to FFr1,920, still well below the Suez offer price of FFr2,000. There was speculation both that Mr Jean-Marc Vernes, chairman of Industrielle, the main shareholder in Victoire, would decide against a counter-bid, leaving Suez to pursue its offer for both companies, and that he would launch a counter-bid above the Suez price, triggering a higher offer from Suez.

Thomson CSF was actively traded, rising 50 centimes to FFr217 and apparently boosted by a bullish article in a British newspaper last Sunday. Eurotunnel fell FFr4.30 to FFr71 amid rumours that a leading broker had sharply lowered its rating on the stock.

FRANKFURT featured good demand for construction and car stocks as the FAZ index recovered 3 to 659.70 and the DAX 11.87 to 1,597.85. However, volume stayed modest at DM4bn, compared with DM3.9bn on Wednesday.

In construction, Holzmann jumped DM33 to DM967 and Hochtief DM24.20 to DM783 on good 1989 prospects for the sector. In motors, Volkswagen rose DM9.30 to DM483.30; overnight, dealers had said that Bonn's decision to give West German motorists cash incentives to fit catalytic converters to their vehicles would be good for the company.

ZURICH recovered in spite of the event the market was supposed to be afraid of – a slight increase in domestic interest rates. The Crédit Suisse index rose 5.4 to 665.1 in trading which graduated from thin on Wednesday, to lively.

Swissair bearers rose SFr65 to SFr1,440 on planned co-operation with Delta Air Lines, and prospective links with other operators. BBC Brown Boveri bearers rose SFr70 to SFr4,900 on a bullish half-year report.

STOCKHOLM was encouraged by results from Astra, the country's largest pharmaceutical company, and shares recovered from early weakness.

The Affärsvärlden General index closed at 1,349.0, up 13.8 points or 1 per cent.

Astra free B shares gained SKr10, or 2.7 per cent, to SKr385 after the company reported a 23 per cent rise in first-half profits.

MADRID suffered another day of profit-taking but brokers said the underlying trend was upwards. The general index lost 0.55 to 320.18.

Union Fenosa, the utility, rose 4.38 points to 85 per cent of par.

BRUSSELS eased, as the correction after this month's gains continued. The cash market index slipped 4.15 to 6,490.81.

In the chemical sector, Tessenderlo moved against the trend, surging BFr850, or 6.2 per cent, to BFr7,700 on a newspaper report that it might be taken over by Elf Aquitaine of France.

Générale Bank fell BFr210 to BFr6,290 and there was talk that its plans to merge with Amro of the Netherlands might not be progressing smoothly.

OSLO moved up to its third record high in a row, with the all-share index gaining 1.68 to 527.11. Blue chips were again in demand from foreign and domestic investors.

VIENNA saw its string of record highs come to an end as the bourse index lost 7.20, or 1.6 per cent, to 453.31 in fairly high turnover. Foreign investors took profits on blue chips.

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sacha & Co., and County NatWest/Wood Mackenzie in conjunction with tha Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | THURSDAY AUGUST 31 1989 | | | | | | WEDNESDAY AUGUST 30 1989 | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of stocks per grouping | US Dollar Index | Day's Change % | Pound Sterling Index | Local Currency Index | Day's change % local currency | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Local Currency Index | 1989 High | 1989 Low | Year ago (approx) |
| Australia (65) | 154.70 | −1.6 | 145.77 | 134.59 | −1.0 | 4.65 | 157.14 | 147.22 | 135.95 | 157.14 | 128.28 | 139.33 |
| Austria (19) | 148.60 | −1.4 | 140.02 | 151.18 | −0.4 | 1.81 | 150.67 | 141.15 | 151.72 | 150.67 | 92.84 | 96.15 |
| Belgium (63) | 133.00 | −1.3 | 125.32 | 134.32 | −0.2 | 4.12 | 134.70 | 126.20 | 134.54 | 137.67 | 125.58 | 111.44 |
| Canada (123) | 152.57 | −0.1 | 143.75 | 129.92 | −0.1 | 3.10 | 152.79 | 143.15 | 130.11 | 153.59 | 124.87 | 117.03 |
| Denmark (36) | 195.64 | −1.0 | 184.33 | 202.55 | +0.3 | 1.55 | 197.63 | 185.18 | 202.00 | 219.89 | 165.35 | 120.62 |
| Finland (28) | 134.81 | −1.5 | 126.63 | 124.95 | −0.4 | 2.20 | 136.69 | 128.05 | 125.41 | 159.18 | 125.61 | 118.67 |
| France (126) | 129.65 | +0.2 | 122.15 | 134.17 | +0.6 | 2.81 | 129.45 | 121.26 | 133.05 | 133.44 | 112.57 | 89.14 |
| West Germany (100) | 96.14 | −0.1 | 90.59 | 97.84 | +0.4 | 2.09 | 96.26 | 90.18 | 97.41 | 100.53 | 79.56 | 73.53 |
| Hong Kong (48) | 104.94 | +0.2 | 98.96 | 105.23 | +0.2 | 5.26 | 104.72 | 98.11 | 105.00 | 140.33 | 86.41 | 99.26 |
| Ireland (17) | 154.13 | −1.1 | 145.23 | 159.22 | −0.4 | 2.79 | 155.89 | 148.05 | 159.81 | 166.69 | 125.00 | 127.17 |
| Italy (97) | 95.83 | −0.3 | 90.30 | 100.56 | +0.4 | 2.24 | 96.08 | 90.01 | 100.13 | 96.73 | 74.97 | 70.32 |
| Japan (455) | 160.18 | −0.8 | 169.77 | 164.63 | +0.0 | 0.48 | 161.23 | 169.79 | 184.62 | 200.11 | 164.22 | 152.47 |
| Malaysia (36) | 187.87 | +0.0 | 177.02 | 194.85 | +0.0 | 2.50 | 187.95 | 176.08 | 194.86 | 193.38 | 143.35 | 133.54 |
| Mexico (13) | 267.87 | −0.8 | 271.24 | 804.96 | −0.3 | 0.63 | 290.16 | 271.87 | 607.46 | 290.15 | 153.32 | 152.09 |
| Netherland (43) | 125.81 | −0.2 | 118.55 | 126.70 | +0.4 | 4.12 | 126.10 | 118.14 | 126.22 | 130.87 | 110.63 | 99.71 |
| New Zealand (20) | 87.43 | +1.1 | 82.38 | 78.09 | +1.0 | 4.42 | 86.45 | 80.99 | 77.35 | 87.43 | 62.64 | 70.69 |
| Norway (24) | 186.00 | −0.8 | 175.25 | 180.00 | +0.2 | 1.44 | 187.51 | 175.67 | 176.62 | 198.39 | 139.92 | 110.10 |
| Singapore (26) | 165.52 | +0.3 | 155.96 | 150.07 | +0.4 | 1.86 | 165.10 | 154.67 | 149.50 | 170.62 | 124.57 | 116.57 |
| South Africa (60) | 152.24 | +0.4 | 143.45 | 138.08 | −1.1 | 4.05 | 151.87 | 142.09 | 139.58 | 154.97 | 115.35 | 110.00 |
| Spain (43) | 158.80 | −0.7 | 149.63 | 147.25 | +0.2 | 3.49 | 159.85 | 149.75 | 147.01 | 160.94 | 143.14 | 139.10 |
| Sweden (35) | 185.08 | −0.8 | 174.38 | 181.31 | +0.1 | 1.90 | 186.63 | 174.85 | 181.04 | 188.94 | 138.45 | 111.81 |
| Switzerland (84) | 90.67 | +0.3 | 85.43 | 94.89 | +0.9 | 1.99 | 90.38 | 84.68 | 94.00 | 94.18 | 67.81 | 74.13 |
| United Kingdom (307) | 154.09 | −0.3 | 145.19 | 145.16 | +0.3 | 4.03 | 154.53 | 144.77 | 144.77 | 156.41 | 133.28 | 120.66 |
| USA (549) | 142.89 | +0.2 | 134.63 | 142.69 | +0.2 | 3.24 | 142.64 | 133.63 | 142.64 | 143.20 | 112.18 | 105.69 |
| Europe (1000) | 129.09 | −0.3 | 121.64 | 126.72 | +0.4 | 3.25 | 129.42 | 121.25 | 126.23 | 132.62 | 112.63 | 99.00 |
| Nordic (121) | 169.03 | −0.9 | 159.27 | 162.37 | +0.2 | 1.75 | 170.63 | 156.86 | 162.10 | 178.38 | 137.95 | 106.96 |
| Pacific Basin (870) | 176.52 | −0.8 | 166.32 | 161.35 | +0.0 | 0.72 | 177.58 | 166.35 | 181.33 | 194.72 | 160.44 | 149.80 |
| Euro – Pacific (1670) | 157.86 | −0.5 | 148.57 | 147.38 | +0.1 | 1.56 | 158.43 | 148.43 | 147.20 | 166.98 | 141.56 | 129.49 |
| North America (672) | 143.36 | +0.2 | 135.08 | 142.08 | +0.2 | 3.23 | 143.14 | 134.10 | 141.96 | 143.60 | 112.79 | 108.29 |
| Europe Ex. UK (693) | 113.24 | −0.2 | 106.70 | 115.32 | +0.5 | 2.66 | 113.51 | 106.34 | 114.78 | 116.28 | 96.30 | 85.44 |
| Pacific Ex. Japan (215) | 132.41 | −0.7 | 124.76 | 120.11 | −0.4 | 4.51 | 133.38 | 124.96 | 120.61 | 137.65 | 111.93 | 117.65 |
| World Ex. US (1866) | 157.53 | −0.5 | 148.43 | 148.94 | +0.1 | 1.84 | 158.25 | 148.26 | 146.80 | 166.35 | 141.49 | 128.89 |
| World Ex. UK (2108) | 150.98 | −0.2 | 142.24 | 145.58 | +0.1 | 1.99 | 151.33 | 141.78 | 145.42 | 155.66 | 136.98 | 119.79 |
| World Ex. So. Af. (2355) | 151.22 | −0.8 | 142.48 | 145.57 | +0.1 | 2.18 | 151.60 | 142.03 | 145.38 | 155.92 | 138.67 | 115.91 |
| World Ex. Japan (1960) | 137.80 | +0.0 | 129.84 | 135.99 | +0.2 | 3.30 | 137.83 | 129.13 | 135.71 | 138.23 | 114.51 | 104.24 |
| Tha World Indax (2415) | 151.23 | −0.2 | 142.49 | 145.51 | +0.1 | 2.17 | 151.80 | 142.03 | 145.33 | 155.89 | 136.68 | 119.85 |



Malaysian markat closed August 31.



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